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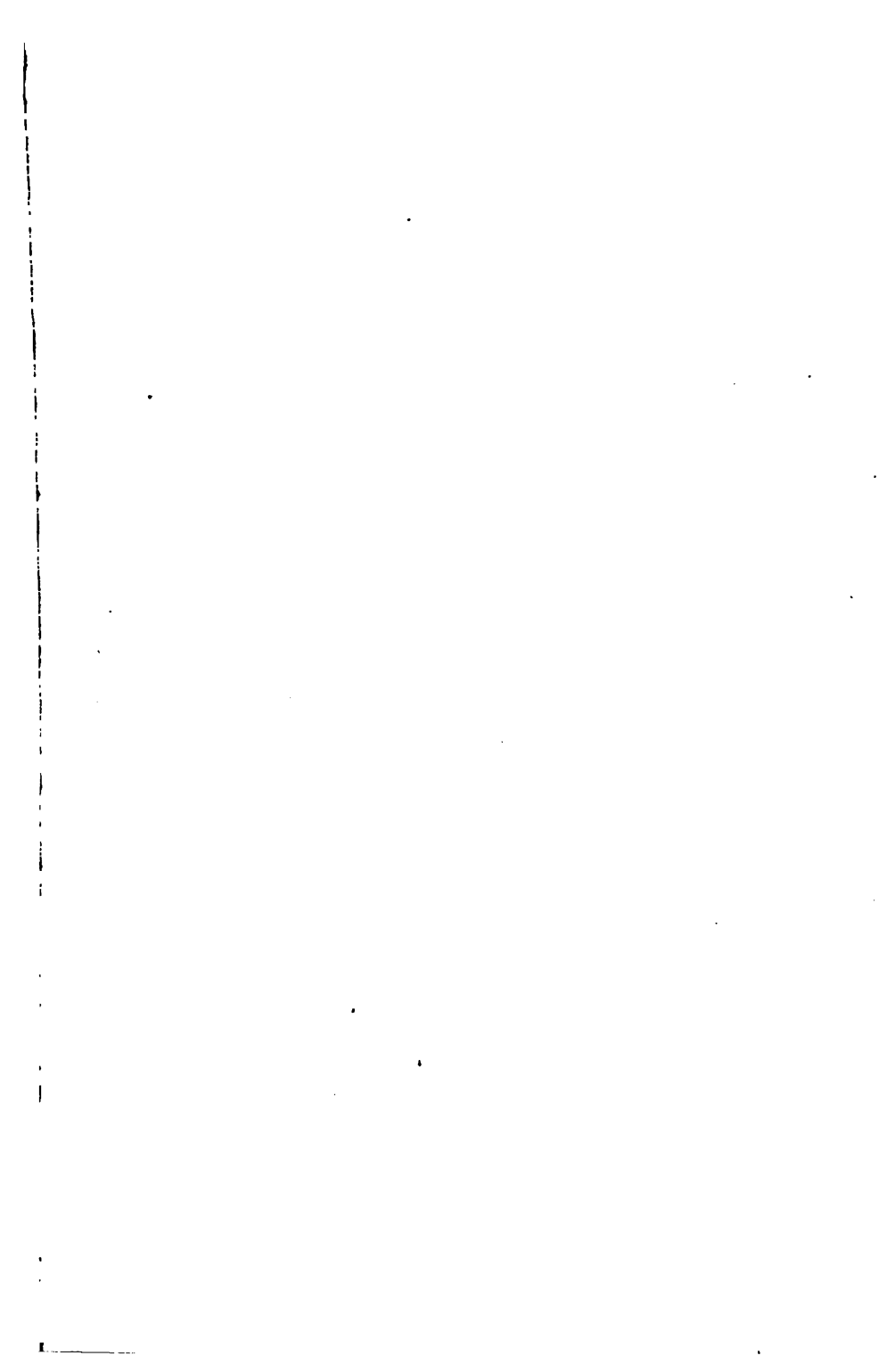
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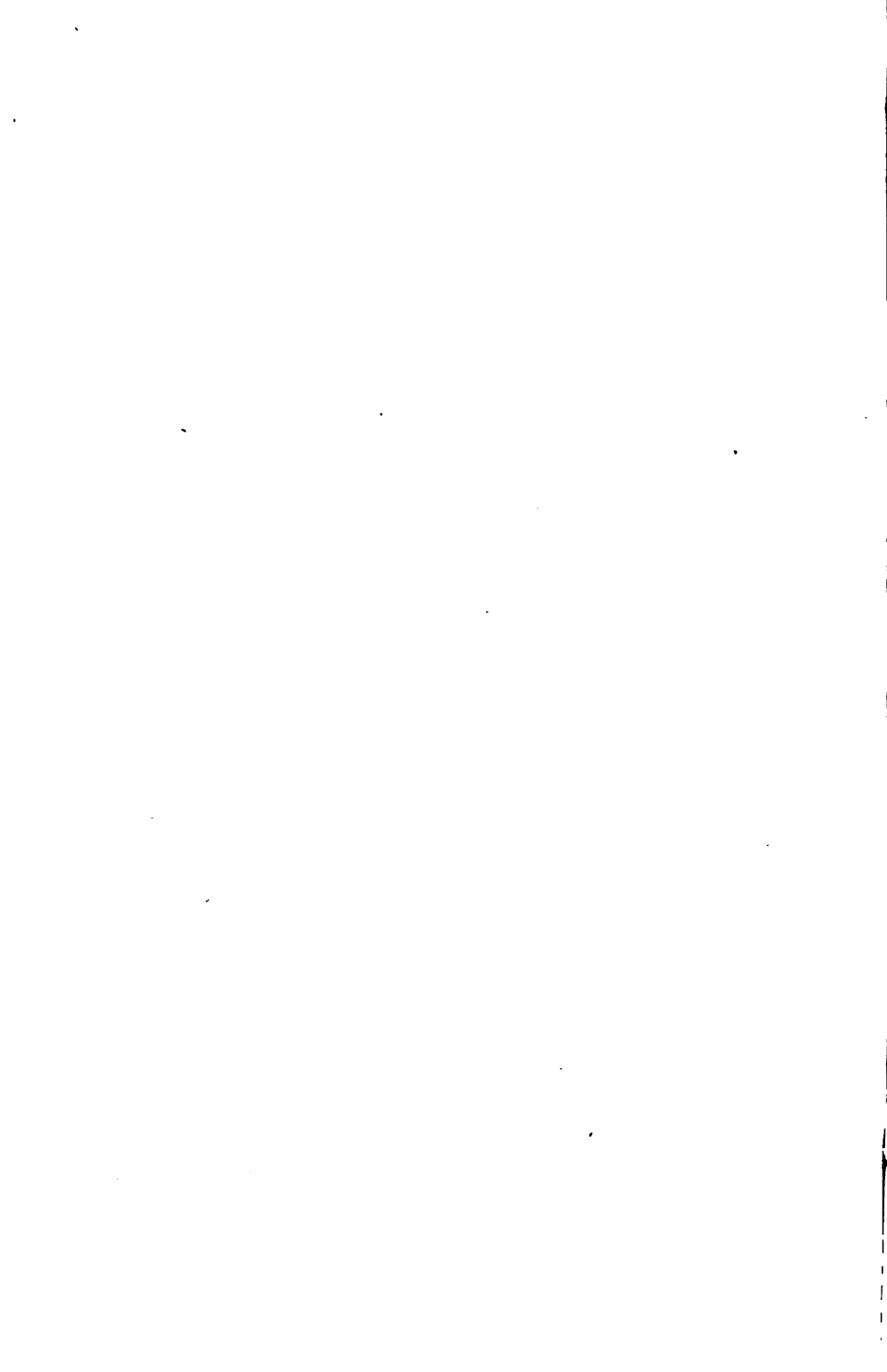
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HOW TO DEVELOP AND EXPAND A RETAIL BUSINESS

TESTING WAYS TO GET MORE TRADE—PLUGGING
LEAKS IN OVERHEAD EXPENSE—KNOWING
WHERE YOUR BUSINESS STANDS

UNIV. OF
CALIFORNIA



A. W. SHAW COMPANY
CHICAGO NEW YORK
LONDON

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A. W. SHAW COMPANY

Publishers

SYSTEM, the Magazine of Business
FACTORY, the Magazine of Management
SYSTEM ON THE FARM

NEW YORK CHICAGO LONDON

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A. W. SHAW COMPANY

Printed in U. S. A.



Small hand planes #2

James B. Jefferson R. F. D. 1.
(says cheaper at B's)

Knowing "why" a sale was not made often may point need for improvement to the retailer. In one hustling store salesmen must report promptly why the customer did not buy, and corrective action is taken at once, where it is possible. This plan has worked well for 10 years.

442545

ABSTRACT

HOW TO GET THE GREATEST VALUE FROM THIS BOOK

THERE are scores of store management plans and methods in this little book, but each of them was selected only after many similar plans had been discarded. Several hundred plans and methods were carefully inspected to secure those printed in this book.

"Where did they all come from?" you will probably ask. They have been furnished by a group of unusually successful retailers with which the editorial organization of the A. W. Shaw Company has built up a confidential contact. So the book really not only contains the very best plans from among several hundred merchants, but also the best plans worked out by the men with the best records for perfecting plans, whom the A. W. Shaw Company has been able to discover after a country-wide search extending over a number of years.

This explains why the book covers so many lines of retailing. But this only increases its value, of course, for it is a demonstrated fact that nine out of every ten plans and methods that succeed with one type of proposition can be used for almost all other types. Furthermore, the ever-increasing intensity of the competition which business men face nowadays makes it necessary for them to draw their ideas from more than one type of proposition if they are to keep up to date.

Just try out one or two of the plans or methods that appeal to you most if you want a first-hand proof of

PREFACE

this assertion that ideas can be transferred from one field to another. As a matter of fact, there are many classic incidents illustrating this truth—the cash register is said to have come from a device for recording the revolutions of a ship's engines, for example. These incidents all go to illustrate the important fundamental truth that the various types of businesses are, after all, very much alike.

The A. W. Shaw Company has on file records of hundreds of letters which demonstrate the practicability of using the other man's idea. There is even a department "How I Used Another Man's Idea" in its magazine, *SYSTEM*, which you will receive in connection with your purchase of this book.

Here's an example which proves the point:

SYSTEM for March 1917 showed a form that the Ford Motor Company's welfare department uses to keep track of the outside lives of the company's employees. George N. Imel, who sells furniture and house furnishings at retail in Columbus, Indiana, is a long way removed—commercially—from the Ford welfare department. Mr. Imel writes:

Of course I couldn't use the Ford welfare card exactly as it stood, but the principle is the same. In our credit business what we desire is information about our customers.

Our card is based on the Ford card. We enter each payment on the customer's card, and when the account is closed file away the card for future reference. The reference system we build up will be very valuable. Meanwhile the cards are helping us keep track of our customers.

Be sure to read each issue of *SYSTEM* carefully, for it will describe to you month after month tested plans for saving time, new and practical methods for increasing your sales, for advertising, training salesmen, keeping records, holding down expenses, and carrying on all the other activities of your business in the most effective way.

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PART I

TESTING WAYS TO GET MORE TRADE

CHAPTER I

WHY COSTS OF DOING BUSINESS ARE HIGH

THERE are two sure ways to make more money in any retail business, you'll agree. The first is to increase your sales without increasing your expenses; the second is to cut down your expenses without reducing your sales volume. The old, old race is between the cost of merchandise plus expenses on the one track, and volume of sales on the other. The prize is net profit, and, obviously, anything trimmed off expenses and "salvaged" is added to net profit.

Knowing what your costs of doing business are is clearly enough the first step toward increasing net profit. And exact knowledge about costs is particularly important whenever times become abnormal and soaring prices knock about all the stability out of the three main factors determining profits—sales volume, cost of merchandise, and cost of doing business.

How is a merchant to know what his profits are if he is ignorant of his costs? In some lines of business, prices of merchandise and raw materials have more than doubled. How is a merchant to determine how much to charge for various items in order to be sure of a legitimate profit, unless he uses an effective cost system throughout, and knows exactly where he stands? His cost of living goes up just as fast as that of his customers. Therefore, he needs more cash for himself. And if he formerly received \$5 for a pair of shoes which cost him \$3.25, will it do, by the same token, to charge \$7 if the wholesale price goes up to \$5.25?

Costs of doing business are receiving more and more attention at the hands of business men generally. Retailers especially show a growing appreciation of the necessity for more accurate cost knowledge if they are to manage their stores most effectively. For this reason the Bureau of Business Standards of the A. W. Shaw Company has, in connection with the preparation of this book, conducted an investigation into costs of doing business in smaller retail stores.

The figures here set forth are indicative. These costs are averages for the various lines indicated, or as they have been called, indicated attainable costs.

That costs of doing business have gone up in dollars and cents, nobody questions. The majority of retailers who know their costs have only to refer to their books to prove that costs are higher. There are exceptions, of course. The proprietor of a hustling store in the Middle West, who knows to a penny what his expenses are, reports that in five years his expenses are not appreciably higher when expressed in percentages. Certain items (expressed as percentages of sales) are higher, of course, while others have not changed—all are somewhat higher in terms of dollars and cents. His total cost of doing business, expressed as a percentage of his sales, has held about even, as higher cost prices have been beaten with increased volume. This man is keeping pace with rising costs in percentages.

Another merchant selling shoes reports his expense percentages for the last five years as follows: 21%, 22%, 23%, 25%, and 22%. The 25% cost he explains by losses resulting from his heavy purchases at a time when customers were beginning to lean toward more rigid economies. The following year he reaped the benefit of his wise purchases of the year before and costs dropped to normal again, as you see.

There is explanation in plenty for the rapid rise in costs, but no matter what is correct, there is no denying

that rent is higher, the payroll is heavier, and advertising bills are larger. Moreover, competition constantly is stiffening and markets are widening until small merchants almost everywhere feel the pressure more and more acutely.

"To my mind, securing net profits despite higher costs narrows down to discovering new ways to get business," says a small-store man who is rapidly working out of that class. "My argument is that if the same number of clerks and the same amount of floor space can be used to handle increased sales, then some tangible headway is made against rising costs. The number of thousands of dollars I had when I started in business you could count on the fingers of one hand. I have more than doubled my original capital. My sales have swung upward each year. My rate of turnover has increased. But my cost of doing business has not increased 10%. My advertising costs me 3.5% of my sales, my rent, 3.6%—both favorable when compared with the averages indicated for my line. So I figure that I have been keeping up with rising costs."

**THESE TESTED PLANS TELL HOW OTHER MERCHANTS
FIGHT COSTS AND WIN**

Just how this merchant and others are succeeding in their battle against constantly rising costs forms the subjects and substance of the following chapters. Every plan and method described has been "under fire." Each one has behind it a record of successful test and performance, and what works well for one merchant will usually benefit another.

In Part I you find descriptions of tested methods for going after larger sales. You also find plans for making your store more attractive and pleasing to your public—its physical appearance and its personality as reflected in your advertising.

Then, too, you see how merchants have simplified their merchandising problems by getting all the facts about their stores in the stores' relations to their respective communities.

Just as building sales volume is the subject matter of Part I, so plans for choking off some of those never-ending leaks in the overhead expense are grouped in Part II. You may, perhaps, find when you take your business to pieces that the best way to make more money from it, is not to strive so much to get more trade, as to devote your care and attention to trimming down your costs.

The value of knowing facts about your business—most successful merchants say “necessity” rather than “value”—is brought out in Part III. By “facts” is meant, not information about your prospects, trade territory, competition, and so on, but more intimate inside facts such as these: how much net profit are you making?—not how much do you think or guess you are making? What lines of merchandise are helping make your profit, and what lines are holding profits down? (Hardly a store but finds, when the real facts are known, that certain supposedly profitable items are being handled at a loss). These and other questions equally as vital are analyzed and answered.

Right here on this question of “facts” is where many merchants fall down hard. There is nothing gained by handling this question with gloves—absolute frankness is the only policy that will be of constructive value to merchants in any line.

“No, I have no cost system, no books, and no records,” is an all-too-common response by small-store proprietors to questions regarding their detailed expenses. “Cost systems may be fine, but they cost too much. My business is too small—I can’t afford one. I can’t do bookkeeping—I haven’t the time for it. I need all my time for figuring out new ways to

increase my sales. And I can't afford to hire a bookkeeper to do this for me."

Those statements perhaps just about express the attitude of the majority of small merchants, and don't you honestly think they explain pretty clearly why so many small merchants never grow bigger? Apparently, they do not believe in taking the advice of other men who have become successful. They are not willing to use proved methods and plans which their more successful fellow merchants have worked out, and which are offered to them without obligation.

Every merchant wants to make more money—that is natural. And the best way to start making it is to learn all the facts about your business. Cooperation is the business motto today, and every day some dark closet is being aired of its closely guarded "business secrets." Helping each other, business men say, is beneficial to each individual, so instead of eyeing each other suspiciously, they are now getting together and swapping ideas for the betterment of every store concerned. In this book you can study the methods of successful retailers, and then cash in on them. This book has in it all the helpful up-to-date plans and policies that could be squeezed between its covers. They are ready for use. Turn the pages and use them.

CHAPTER II

GIVING YOUR STORE A PERSONALITY

AS you walk down a certain dingy street in an out-of-the-way corner of a western city your eye is caught and held by a small shop front, which, by the way it stands out from its neighbors, reminds you of an electric lamp suddenly switched on in a dark room so sharp is the contrast.

Skidmore, the merchant who runs the shop, says the neighborhood has long been almost worthless for business, and still is back-sliding. Nevertheless, he is making money in this "gloomy, worthless" locality. And he is doing it solely by the force of his bright, cheerful, and convincing store personality. Although within a mile of the toughest competition to be found anywhere in the city, Skidmore is selling high-grade lines, and selling a few more each year than he did the year before.

That an attractive store front and interior would draw trade from this uninteresting section was Skidmore's idea, plus a conviction that greatly-reduced overhead—rent, particularly—would enable him to undersell his classier downtown competitors to such an extent that his prices would in time attract attention.

The shop front is painted with silver paint—that is, the panels below the windows and the window and door frames. A red and white striped awning further relieves the monotony of the block, for even when it is raised it is a bright spot in the otherwise drab street. Gilt letters on a white board make a distinctive sign.

Skidmore's shop makes a vivid impression, and from the opposite side of the street you can hardly fail to notice it as soon as you come within a block and a half of his store.

Just as some individuals you know are more easily remembered because they make deeper and more lasting impressions upon the minds of people they meet, so it is with stores, investigation points. Certain stores possess living personalities. Characteristic features of their service stand out in customers' minds.

It is forceful business personality which most retailers are trying to create through their selling and advertising policies. A canvass of successful retail merchants indicates that they are pretty thoroughly agreed on the importance of strong store personality as a vital factor in success. Every progressive merchant wants his community to believe that his store is an aggressively honest institution of service.

It is important, investigation indicates, that the merchant seeking to build store personality draw a sharp distinction between real "store personality" and "owner personality." Here he may profit by the experience of a Pennsylvania clothier who took a month's vacation after several years of close application to his store problems and his customers' needs. When he returned, his business had dwindled to about one third of what it had been when he went away.

"It did not take me long to figure out that my store had personality and I was it," he declares. "When I went on my vacation the business went along. So I set about making people say: 'Winters certainly has a first-class store. You get treated right when you go there.' I can leave the business at any time now, without fear of losing trade."

Talking frankly to customers just as you would talk to them across the counters, is an advertising method advocated by a number of merchants.

Miller, a middle-western jeweler, has a store so small that he makes capital of its smallness. "Everything the big store has except expense" is a slogan that Miller frequently uses in his advertisements. He frankly states the amount of rent he pays, and backs his statement up with an affidavit for the benefit of any "doubting Thomas." His plan is to get customers to come to his store because of his prices, values, and service.

PERHAPS THIS RETAILER'S PLAN WILL GIVE YOU
AN IDEA FOR YOUR OWN BUSINESS

In his advertising Miller finds it pays to make his appeal direct to the man or woman in store, shop, or office, who cares more about price than pride. Limousines and electrics stop in front of more exclusive stores, but Miller suggests that he sells jewelry to people, not automobiles.

He is frank about putting his own personality and ideas into his newspaper copy. Here is one of his classified "liners"—a type of advertising that he used extensively when he first went into business, because of its cheapness and the good results it obtained:

If you're engaged to some fellow who is planning to "live with his folks," give him back his ring. You can get a good job in a "cannery" right now—and handle your own wages. A lot of bright girls are buying their own jewelry from Miller—so I know what I'm talking about. Square Deal Prices. Biggest Little Store.

Not less down-to-earth in tenor is the following advertisement—also a "liner"—intended to attract men:

I want to show you the best pair of \$1 cuff buttons any man ever stuck into his Sunday shirt; some nifty scarfpins, too, special at \$1—worth \$2. I know. Miller. Biggest Little Store. Open evenings. Come in and see.

Careful building of store personality by store meetings and advertising was the plan followed with great success by an Illinois merchant. He has about six

employees. Merchandising policies were decided upon, and then the merchant wrote advertisements emphasizing those policies. The plan has the additional advantage of fixing these policies indelibly in the salesmen's minds. He made it a point frequently to mention his helpers, and has found it a good drawing card. Here is a sample of his advertising:

MY BUSINESS BIRTHDAY

Today is my business birthday. As a business man, I am 15 years old today. I can't let the occasion pass without a word or two addressed particularly to the young men associated with me in the store (who have a profit-sharing interest) and to the good, stanch friends and loyal customers, by whose aid I have been able to climb a little way up the ladder of success.

Our motto always has been: "To the other man's business we give our respect; to our own we give our attention, our ability, and our all."

Ours will always be a progressive and aggressive policy. For your business we will fight with fair methods and first-class merchandise, not overpriced, but never, never with slander.

I find it hard to express in a few words my deep sense of obligation for and my sincere appreciation of your help and patronage. This means all of you—the man who buys a 50-cent working shirt, as well as the man who buys a silk-lined overcoat.

Here is another advertisement with which he draws attention to his buying policy:

OUR WAY—IS IT YOURS?

We've told you from time to time about our method of selling goods. Nothing misrepresented, the same price to all, your money back, and so on.

We follow what we believe to be the best way—the fair way. We've often said: "If you can tell us a fairer way, we'll follow it," and so we will.

Now, we want to tell you about the way we buy. The boys here in the store and I try our best to do what is right, not only in the selling, but also in the buying. We think we sell the best of everything for the price. If it's a shirt for \$1, ours is the best for that price. If it's a suit or overcoat for \$12.50 to \$30 ours is the best for the price. And it's just so with everything in the store.

This is the way we figure it. We don't take any one man's judgment in any of the buying. Everyone of us in the store helps to buy. When a shirt manufacturer tells us he can offer us a better shirt to sell for \$1, we compare it with the kind we carry. We examine it from tail to collar band. We first examine the quality, next the make, then the style, and then the fit. We never ask a customer to buy them until we have tested 'em and tested 'em thoroughly. That's the way we do it with all the goods we buy.

When you buy, why don't you try this buying method of ours? If you do, we will get the lion's share of your trade.

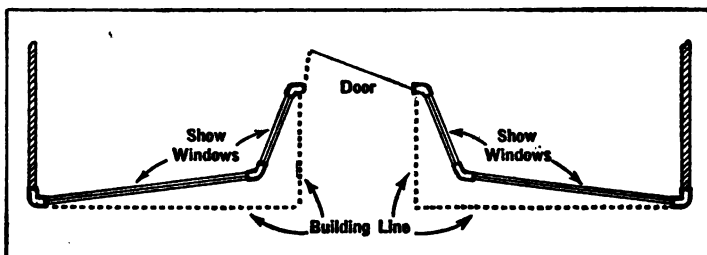
Mechanical features often may help create a live personality for a store—Skidmore's shoe shop is an example. Max Schiff, a haberdasher, has mission style fixtures throughout, and believes in playing safe on the light proposition by having enough, rather than to risk having too little. Tasteful lighting fixtures give his store a well-lighted appearance without glare anywhere, and it is as well lighted in back as in front—Schiff is particular on that point. As a result of these features his store is decidedly attractive, and draws a lot of profitable trade.

Breaking the regular line of his store front by letting the window line run in slightly toward the door, makes Morehouse's women's-wear store in Tennessee more noticeable than it would otherwise be. On the opposite page is a diagram which shows how it looks.

The store is small, as you see, yet it stands out from its neighbors in a surprising way. The change occurred to Morehouse just before he signed the lease and he persuaded his landlord to make the slight alteration. Morehouse says the loss in display-window space is trivial and his shop front is striking enough to make up for it. Customers tell him that the window lines leading in toward the door make it very easy for shoppers to just "drift" into the store, so he credits many dollars to his unusual store front.

Using a single striking color as a dominant feature of a store's decoration is a not uncommon personality

building method and it is usually effective. A southern merchant uses red, and his store is known as the "red store." His store front and wagons are painted red and he carries the idea further by having his wagon man wear a red shirt and a white tie in the winter, and a white shirt and a red tie in summer.



An Ohio paint shop proprietor chose yellow and black for his decorative scheme, a plan which makes his store unusually attractive and easy to remember. The front is yellow and he keeps it scrupulously clean and bright. Inside, the shelves, counters, and other woodwork are painted dull black. Against this background, states the merchant, other colors show up better, and articles of polished metal show up very brightly and to advantage.

A third general method, helpful in creating pleasing store personalities, includes more or less spectacular advertising features. Usually these features have for their purpose immediate sales rather than building a permanent asset of good will. Many merchants, however, try to work up special features and make regular events of them—hold them once a week, each month, or annually—and thus get from them both immediate sales and good will as well.

Frequently some simple little twist in arranging a window will work wonders—nothing expensive or difficult, but just getting away from the method

everybody else is following. One hardware dealer built in his window a partition which slopes from the ceiling toward the street. On this partition are quite a number of small articles. The slanting surface draws the eye upward and displays the goods at the top practically as well as those at the bottom.

A jeweler in an Ohio town is getting some added attention from passers-by because he put small display windows under his regular windows. He figured angles carefully and arranged his smaller displays so that observers would not have to stoop to see. He makes it a point to put only larger articles on display in these lower windows.

The two plans described are not particularly important because they suggest more display space, but because they are just different enough to be striking. Figure 1 shows more clearly how they were handled.

IT'S THE DIFFERENT IDEA THAT OFTEN MAKES GOOD,
WE'LL ALL AGREE

One hardware merchant put a barber's chair in his window at the beginning of the hot weather and hired a barber to shave free every day those who desired. The barber used a well-advertised safety razor and was surrounded by razor strops, shaving brushes, shaving soap, and other shaving accessories. This demonstration lasted for 10 days, and the dealer secured about all the business that was available for that brand of safety razors, as well as for shaving accessories.

Another dealer, just before the fruit season commenced, advertised that he would on a certain day of the following week display in his show window the finest collection of peaches ever seen in the town. When the day rolled around there were two handsome girls in his window. They were putting up fruit and surrounded by preserving kettles, fruit cans, peach parers, fruit jar caps, and all other necessities for

preserving fruit. Everybody was amused by the double meaning of the dealer's advertisement and he got the business.

High school girls helped stage a style show for one Kansas merchant. He offered a donation toward graduation expenses in payment. Some of the girls in the senior class were delighted to parade in modish gowns across the stage of the school auditorium at the style show. Others served refreshments and took care of other details.

"People will buy what looks well on others," says this merchant. "That is why the style shows in large cities are so effective. I could not get professional models in my little town, and I would not have been able to stand the expense if I could have got them. But my sales this season have broken all previous records for my store."

Nearly every woman in his town observed and studied his window recently, the display manager of a western dry goods company believes. The occasion was a sale of baby clothes.

The 10-month-old son of one of the salesmen was requisitioned, dressed in clothes like the ones on sale, and placed in the window with some toys and a patent baby fence to enclose him from the goods on display. The mother sat in the store where she could watch the baby and he played for several hours as contentedly as at home.

Instead of using show cards, an Ohio haberdasher calls attention to the merchandise in his windows by signs written on slabs of synthetic marble. These may be obtained in all colors and thicknesses from almost any dealer in building material. They are non-absorbent to opaque water colors, and can be used over and over again.

By selecting slabs that harmonize with the color scheme of each window, this merchant always has

attractive displays. The slabs that he uses are 6 by 12 inches in size, and he supports them on tiny easels. They draw attention without monopolizing it.

The attention value of motion is put to novel use by a Minneapolis grocer. A pulley and cord is so arranged that every time the door opens it raises and lowers a large round card suspended in the window. The message on the card is changed daily, describing some special bargain.

"To show lots of little articles in my stock that might otherwise not be displayed," says a Minnesota druggist, "I cleared out my window and put in it four pieces of cardboard cut in the shape of the four phases of the moon. Lining these up in the window I explained them with these words: 'Each change of the moon brings different weather. Are you always equipped to meet the changes?'"

"Below the cards were articles from my stock—thermometers, sun glasses, sunburn cream, cough medicines, lotions for chapped skins, and combinations suitable for other weather conditions.

"In one corner of the window I kept the daily weather forecast in a small frame. When pleasant weather was promised I grouped camera films near the sign and put in a smaller sign reading: 'You'll need 'em tomorrow.' When hot weather impended I showed a bottle of grape juice with this card: 'Better take this home now—tomorrow you'll wish you had.' These little twists of originality have brought me a lot of new customers."

One of the devices to which a southwestern merchant attributes the success of his small department store is his generous use of "silent salesmen" to supplement the work of his "live" salesmen by answering questions before they are asked. Even in the old days, when his competitors marked their wares with a hidden label in cipher, he placed conspicuous price

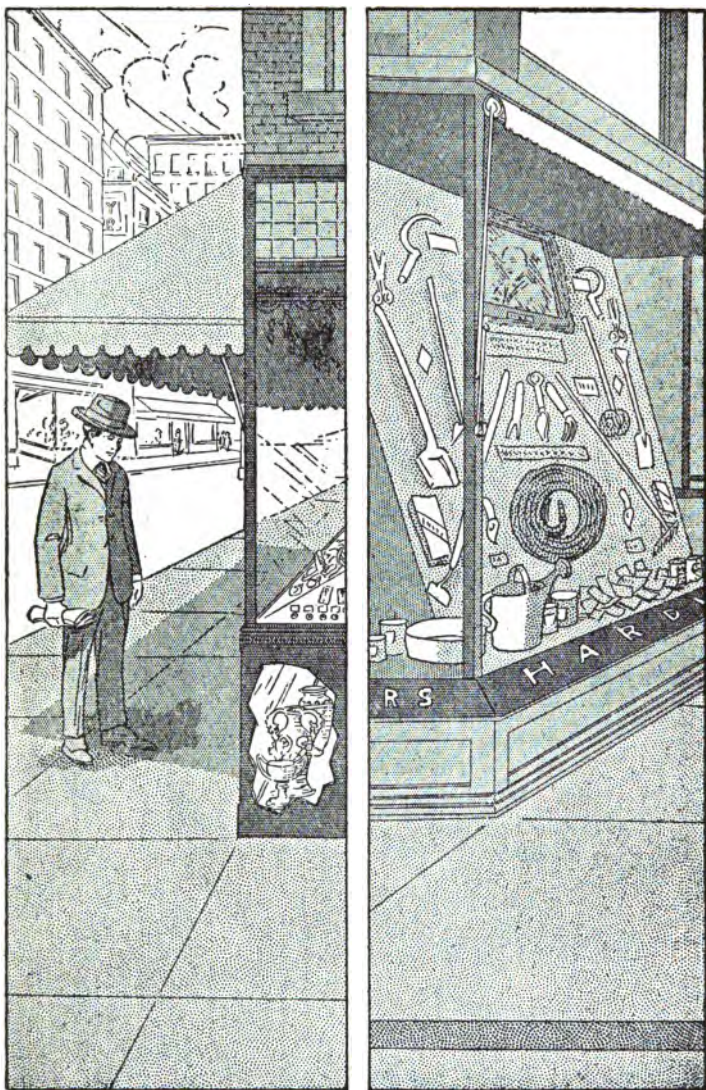


Figure 1: On the right is a diagram of the hardware dealer's window described on page 12. The other diagram shows the jeweler's window also described on page 12. You can see clearly how these two displays would get extra attention from many prospects.

tags in plain numerals upon his bolts and boxes. People soon came to rely upon him more than his competitors, since they knew he had obligated himself to sell to "each and every" at the marked price, while competitors were able to "boost" the price to some and make a discount to others.

This retailer noticed that his customers often did not know the names of the various fabrics and colors. Some hesitated to ask a busy clerk. Others took too much of the clerk's time in securing this information. Each season brought novel weaves and popular tints. Down came the price tags. Up went larger ones with lettering to fit, planned to include the introduction of each material or hue by name. Now Mrs. Lamson, waiting her turn, can find out in advance which is the fashionable "waffle" cloth, velour, "golfine," or whatever is the advertised cloth of that spring or winter.

A SIMPLE LITTLE PLAN THAT MAKES EASIER SALES
IN THIS STORE

Across the aisle in the millinery department customers easily find the hats they have read of in the newspapers, the fashion journals, or the store's own advertising. Each hat is plainly marked according to its shape or material or color. A new customer from the country can wander through the aisles and learn what hat name to ask for—English sailor, Watteau, poke, Chinese tam, or mushroom—as soon as the saleswoman is free to offer her services. The plan has worked wonderfully well.

The merchant also noticed that many patrons hesitated on their pronunciation of unusual terms, especially those derived from the French. He saved them embarrassment by writing in parenthesis under each word the way it should be spoken. Now they need not ask, "Is it rat-teen or rat-e-nay?"

Some people are "eye-minded," rather than "ear minded"—they remember longer what they read than what they hear. Here, too, the label saves the time of the salespersons. It favors the customer who may be slightly deaf and sensitive, and thus makes some sales that would otherwise be lost.

Up in the house-furnishing department the usefulness of "silent salesmen" is even greater. Many women passed by articles they needed, the merchant found, before he installed the label, because they did not recognize them lying upon the counter. Worse than that, some of the clerks did not know the names or the uses of kitchen devices. A saleswoman told a customer she had no faucet hooks. The retailer was passing and corrected her. "Why I thought those were can-openers," she confessed. Now each case and counter has placards naming each article and telling briefly how it is used.

Not infrequently advertisements and displays which reflect personality most effectively are the simplest and most inexpensive to prepare, it was found. A plan which costs next to nothing and which has brought in considerable new business is used by a small-city druggist, who sells magazines and periodicals.

"Before I place each magazine on sale," he says, "I go through the advertising pages, and on the margin of each advertisement dealing with an article handled in my store, I stamp: 'We carry this in stock—Billings Pharmacy, 421 Front Street, Main 4432.'"

"By this plan I tie may store up definitely with the national advertising done by manufacturers of the goods I handle, and so derive direct benefit from it."

How to make a display sell goods and at the same time "get a laugh" was the problem another druggist set out to solve, and he says a single display not only cleaned his shelves of certain lines but made his store more easily remembered.

"Cleanliness is important above all else. Keep antiseptically clean," reads the sign in his window. Snow white ribbons led from the sign to the articles: tooth powder, face cream, antiseptic soaps, nail files, razors, shampoo oils, massage cream, and the like.

Smaller signs were placed by each group. The tooth paste assortment had a small card lettered, "Keep your teeth clean as a hound's tooth," to which was fastened a hound's tooth obtained from a veterinarian. Beside the proprietary shampoo was a similar sign which read: "Use this on your hair and it will be as clean as a —." A small "whistle" was fastened on to finish the sentence.

The display was simple to get up, but it "corralled" the gaze of each passer-by and impressed on him in an attractive way the doctrine of cleanliness.

The place to begin building store personality, therefore, is right at the beginning—by formulating and putting into words basic store policy which shall be lived up to and studiously followed out in every phase of retailing—at every point where store and public come in contact. Analyze the foremost retail successes and you nearly always find them due to right policies first and right methods second.

It ought not to be difficult for any merchant, large or small, to determine whether or not his policy is right. To be sure yours is right, polish it up to the point where you know that if you were to explain it fully to any of your customers they would be enthusiastic about you and your store, and anxious to buy from you for their own sakes. When you have done that you possess a store personality that is well worth possessing.

CHAPTER III

HOW 81 SMALL STORE MERCHANTS WON OUT

HERE in convenient index form, you will find ideas that, among other achievements, have maintained net profits above 17% for the merchants using them. They were collected by investigation in 32 states in towns ranging in population from 1,500 to 100,000.

You will note that practically every one of these plans is adaptable to almost any retail business. Plans which involve large expense have been thoroughly sifted out, and only those which are practical and tend to lower costs and better business are given. Each one has been thoroughly tested and is given in the merchant's own words. It will be worth your while to read each plan carefully.

ADVERTISING

COPY: "I find it fully as important, if not more so, to direct our advertising copy to holding the customers we already have, than to direct our efforts chiefly toward getting new business," says one southern retailer whose sales are growing every year.

SPECIAL: "I found that it paid to send out a young woman employee with a pony and cart to call on everybody within a radius of from 5 to 10 miles, to find out if they traded with us and why, and if they did not, why not. We investigated all grievances thoroughly. The friendships gained alone more than paid the cost of the young woman's trip."

BUYING

MERCHANDISE: "By concentrating all my buying with a few manufacturers who guaranteed prompt shipments, lowest

prices, and service, I was able to contract for a year's supply in advance with delivery dates arranged so as always to have a 30-day supply on hand. This method of buying usually netted me an extra 5% discount."

RULES FOR: "We buy most of our goods in our own store. This gives us an opportunity to compare new merchandise with the lines we have been carrying, and has the added advantage of making salespeople and assistants share the responsibility for goods so bought. Salesmen sell a given line better when they have helped to buy it. This plan has helped us immensely in the way of satisfied customers and fewer clearance sales."

CASH DISCOUNT

COUPON SYSTEM INSTEAD OF: "Since cash is only worth 2% to me, which amount would seem inconsiderable to the purchaser, I inaugurated a coupon system based on the 2% rate and redeemable at the store in goods according to a premium catalog. These coupons are advertisements of the store and they bring back the holders to buy again. This system has reduced our credit sales from two thirds of the business to less than one third."

COMPETITION

MEETING OUT-OF-TOWN: "To impress upon our community the reasons for 'buying at home' the merchants in my town undertook an educational campaign which proved to be a big success. We offered prizes for the best reasons why the people should buy at home. Prizes were also offered to school children for essays on this subject. Several thousand reasons and essays were submitted, indicating that in hundreds of homes parents and children probably for the first time gave serious thought to his matter of home-town loyalty."

CONFIDENCE

WINNING CUSTOMERS': "I have found that it pays to be on the square about my merchandise at all times. A job lot of neckties which I purchased were not up to the standard that the samples had led me to expect. I displayed them in the window with the sign: 'Neckties in many popular designs. Not as good as they look, but worth 65 cents.' I sold them out in 24 hours, and increased my customers' confidence in me at the same time."

COSTS

REDUCING OPERATION: "I reduced my operation costs by discontinuing all premiums and special discounts. Although the volume of sales dropped at first, customers soon found that they were receiving more value for their money under the new plan, and gradually the volume increased, while the costs dropped."

CUSTOMERS

BEING FRIENDLY WITH: "We believe in being friendly with our customers, friendly in just an ordinary, everyday, human sort of way. It makes us feel better, our customers feel better toward us, and it pays. I know it pays, because our business, started only four years ago, has been so successful that there is no other answer than that being friendly—the main point in our policy—pays."

CALLING ON: "On one day a week I take out my automobile, fill it with grocer's samples, chewing gum, cigars, and any attractive advertising matter which may be about, and then through the whole day make calls on country customers. I not only make many personal friends, but I find out the needs of the whole buying community."

DISGRUNTLED: "Whenever we discover customers with grievances, we either write personal letters offering to straighten out the difficulty or talk it over tactfully at the first opportune time. These plans have seldom failed to win back the customer."

NAMES: "During one of my clearance sales I advertised that I would give a price reduction of 1 cent for each letter in the name of each customer who bought a pair of shoes during the sale. Although a few fictitious names probably found their way in, most of the buyers gave their correct names and gladly took advantage of the offer. It helped, too, in building up our mailing list."

WINNING THEIR FRIENDSHIP: "It pays me to have my desk on a little platform in the central aisle of the first floor of my store instead of in a private office. Country people like to know from whom they buy, and I know my store would not prosper were I not among my customers letting them know that I am 'on the job.'"

DELIVERY COMPLAINTS

REDUCING: "Our numerous delivery complaints led us to offer each driver \$50 a year 'prize money.' It is not a part of

a driver's salary and he does not get it if he does not win it. The \$50 + 200 points = 25 cents a point. If the driver makes a mistake, if he doesn't take the proper care of his car, we never scold him. All we say is, 'James, two points are charged against you.' At the end of the year the points charged against each driver are deducted, and he gets only what is left. This system has practically doubled the efficiency of our delivery department."

DISPLAYS

EFFECTIVE MERCHANDISE: "I drape materials over forms in our display windows, and with each form I show suitable trimmings. Below it I place a card itemizing the cost of everything that would go into making up the garment shown. The sign reads: 'This dress will cost you \$8.75.' The plan is effective because it gives the shopper, without effort on her part, the exact information she is looking for. In addition it saves my salesmen considerable time that they would otherwise spend at figuring and answering customers' questions."

SHELF: "In order to attract my customers' attention to the dry goods displayed on my upper shelving, I hung cards on a level with the eyes at each shelf partition post. From these cards, colored ribbons lead customers' eyes up to where are displayed the goods described and priced on the cards. This plan sells much of this stock and gives me nearly 100% display value from my shelving."

INCREASING SALES

BY SUGGESTION: "In our advertising, window displays, and actually selling, instead of talking and showing merely this washing machine or that wringer, we talk of saving labor on wash day by providing modern equipment to do the work. In the window we show a wash day in a properly equipped laundry. This plan helps us to sell additional articles, and in several cases we have sold entire wash day outfits because of it."

LOCATION

OVERCOMING THE DISADVANTAGE OF: "My jewelry store is on a side street a block from the retail district. I was losing out as a result. I decided to hold Friday and Saturday special sales, and at these to take a loss, if necessary, in order to bring my store to people's attention. In the main window I placed a large number of articles, all the same price. When I sell one out of the window I do not replace it with a duplicate, but

by another attractive bargain. This plan has put my business on a paying basis in the months I have used it."

MAILING LIST

BUILDING UP: "I built up an excellent mailing list for my store by providing each salesgirl with 3 by 5-inch cards. On each card was a space for the name and address of the prospect, as well as for the name and kind of the product she used. For each filled-in card we paid the salesgirl 1 cent. We also had a prize of \$1.50 for the girl who turned in the most names each month, and \$5 for the one who turned in the greatest number during the two months of the contest. We obtained 600 names of live prospects, and with a little extra work we sold about one half of these people within the next few months."

KEEPING UP TO DATE: "We keep our mailing lists active by having a representative—usually a young girl—in each school district, who keeps tab on the community lists. We pay her 2 cents a name for information, and she sends in regular monthly reports upon a form which we provide. These reports not only keep our lists active, but they also tell us just what people are doing, and we are on hand with suggestions at the right moment."

NEW CUSTOMERS

GETTING: "I go after the business of every new family that comes to town. I secure names of newcomers from the newspapers, from real estate agencies, and any other available source. I also have an agreement with the pastors of local churches. I say to them, 'If you will give me the names of any new families you know of, I shall do the same for you.' We both benefit by the scheme. Then I go to the new family in person, taking with me samples of all advertised food products. The sample assortment is a gift from our store, and brings good will. I keep after them with personal letters until I feel that I have the business permanently."

PROFIT SHARING

IN A RETAIL STORE: "We assume that an employee is leaving as much as he is taking out. We therefore, pay him dividends at the same rate as we pay on our capital stock. If our stock earns 10%, the \$1,500 a year man receives a cash dividend of \$150. There is no agreement or contract between us. The firm merely gives this, as it sees fit, to any employee who has been with us a fiscal year. By means of this plan we are creating

a team-work spirit that no competitive commission or bonus plan can give, we feel."

SALARY EXPENSE

CUTTING: "We have no main aisles in our store. The tables and showcases are arranged in an orderly helter-skelter. Yet, they are arranged so that four showcases or tables form a hollow rectangle, with openings at two opposite corners, so saleswomen can walk right through to save time, and can enter the enclosures from either side. In this way we are able to serve more customers with a smaller sales force than we could otherwise."

SALES

BUILDING UP: "I found that my Roquefort cheese, which I had marked at 75 cents a pound, was not selling fast enough. I watched sales on it and discovered that one quarter of a pound was the average sale. Now we display half a dozen cheeses, the top one cut in two and the sign reading: '20 cents, $\frac{1}{4}$ pound.' The sales on this article increased when we put up the new card."

COOPERATIVE: "Merchants in our town realized that clearance sales of the individual stores were not making a sufficient appeal. So we decided to hold all clearance sales at one time, which gave customers the opportunity to obtain complete outfits in practically every line at clearance sale prices. The normal increase in business was about 20% over the previous year. One store reported a 50% increase during the sale. These figures indicate that the cooperative sale was responsible for an increase in business of approximately 30%."

INCREASING: "The merchants in our town held a three-day pumpkin show. It was held on the streets, which were roped off and given over entirely to the displays of merchants and farmers. A complete program of entertainment and amusement was given from morning till night, but aside from four pay attractions of the highest class, the people could not spend their money unless they patronized the merchants. Every individual was 'tagged' with a tag which said, 'I'm glad I'm here—I'm coming back.' My store did a business of \$1,500 the last day and 75% of the people we had never seen before. And the farmer was made to feel that the merchants were working with him, and were interested in him as a man, as well as a customer."

INCREASING THROUGH DELIVERY: "During harvest season a grocer and I (my store is a meat market) offered delivery to all

farms within a six mile radius. Orders were unusually big for each delivery, because of the large threshing crews, and with two of us sharing the expense the cost was low. We were able to complete delivery in half a day by using a light touring car. We gathered in all the business on the neighboring farms, and after the harvest season, most of these farmers became good customers."

INCREASING THROUGH DISPLAY: "I decreased our selling cost by displaying my stock on tables instead of on shelves. Shoppers who walk through the store see the merchandise, and can handle it, and make up their minds about buying it. Frequently the sale is half made before the saleswoman finishes with the last customer and can give the new one her attention." "I find that it pays to catch the customers' attention with other goods on special counters. I recall an instance when a woman came in to buy a ring. When she finally left, she had purchased, besides the ring, an alarm clock, a half dozen oyster forks, and a child's necklace, all of which were on display away from their respective stock sections."

QUOTA: "I find that a sales quota helps largely in building up business. We determine what our sales volume should be for the coming year, and then subtract the total for the year just ended. Then I divide this number by 52, which gives the amount of increase each week should show over the corresponding week of the year before. Then we plan special events to bring our sales up to this quota."

REDUCING LOST: "I found that we were losing too many sales in one department, so we had a lost sales campaign. For two days each saleswoman made a record for each sale or each failure to sell and if the latter, why the sale was lost. For two weeks we worked with the weak points brought out on these records, and then had another two-day test, which showed that only eight sales had been lost the last day. As a result of this investigation the increase in net profit the next month was over 1,000%, and the whole department has taken on new interest and new life."

SALESGIRLS

PAYING: "I found a flat wage unsatisfactory, because it offered no special inducement to effort, so I figured out for each department what I regard as a normal ratio of wages to sales. If the average wage in one department is \$10 a week, and the sales average \$200 for each girl, then the percentage is 5%.

If a sales girl exceeds this amount of sales and thereby reduces the percentage ratio of wages to sales, we pay her a bonus upon her excess weekly sales, calculated at the reduction accomplished in ratio of wages to sales. If she pushes her sales up to \$300 the ratio of wages (\$10) to sales is reduced to 3⅓%. Therefore, she gets a bonus of 2⅔% upon \$100, or \$2.66. It is surprising how strong an inducement this plan has proved to salesgirls to increase their sales."

SAVING TIME

"Stock boys frequently replaced on the shelves goods which customers were considering. This caused considerable annoyance until I had cards with the word 'reserve' printed. A salesman now leaves one of these beside a heap of merchandise on the counter, and is sure that it will not be disturbed. This little plan saves three people's time, that of the customer, the salesman, and the stock boy."

SALESPeOPLE

GETTING EXTRA: "I needed extra saleswomen during the holiday, and there is no established extra labor supply in our small town. So I sent word to the women's church organizations that I would pay the societies 10% on the gross sales made by any of their members who would work for me during the rush season. They didn't make fine saleswomen, but they did make lots of sales. All their friends came in to see them and help out the churches. It brought in new customers and advertised my store as well. I certainly intend to use the plan again this year."

SERVICE

BUREAU: "I use a 'blunder system' in my store by which each section of the store which catches errors reports them to our good service bureau. This bureau not only adjusts difficulties, but also makes an analysis of each day's work and a daily report about the nature of each complaint. Through these we find the individual who has made the error, and we are able to reduce the errors to a point where they are of little annoyance to our customers."

IMPROVING: "I discovered that my saleswomen had a habit of congregating on the side of the shelves which hid them from the rest of the store, and little attention was paid to customers. I rearranged the store and took out these shelves. At once every girl was able to do the work three had done

before without being too busy. Of course our customers got better service, and my salary expense was noticeably reduced."

TO FARMERS: "I put signs in the windows of my drug store for farm hands to work on the farms nearby. Several men a week are placed through our 'amateur' free employment agency. And when a farmer has obtained a much needed 'hired' man through our courtesy, we're pretty sure of getting his trade afterward."

SPECIAL SALES

TICKETS: "Price tickets help me keep track of the sales of specially advertised goods. The price ticket is perforated so that half of it may be torn off when the sale is made. This half is pasted on the sales ticket. When this ticket is brought to the cashier she lays it aside. Thus with very little extra work I know every morning just what the sales were on the advertised articles."

STOCK

CHOOSING: "When I started my store it paid me to buy absolutely new goods direct from the manufacturers, although some attractive job lots were offered me. In our advertising we played this up to the limit for the first five or six months. 'At no other store in town,' we said, 'can you be sure that everything you buy is the latest.' It gave us a sales leverage that none of our competitors have."

STORE LAYOUT

REDUCING SELLING COSTS BY: "I arrange my store and stock so customers can get around without asking questions. The departments are plainly marked and there are frequent directory boards. The stock is in plain sight, with the lowest-priced assortments at the entrance of the department, and the higher prices last. This plan not only has won me many customers, but it saves salespeople. Three people can entirely care for a department which would otherwise require five."

TURNOVER

LOCATING "STICKERS": "Whenever the rate of turnover in a department falls suspiciously low, we list in a note book each item that is kept in stock. This book is then held in the section, and whenever a salesgirl sells an item, she marks a tally directly above that entry. After an item is shown to be a sticker for two months, we clear it out of stock and then do not reorder. This 'notebook' treatment reduced our corset stock 70%."

WANT BOOK

RECORDING STOCK NEEDS: "I found that I was losing sales because salespeople neglected to record stock needs in the 'want book' which hung on a string. I put a box of thumb tacks within easy reach of every salesman. When a stock number runs low all the salesman has to do is to put a tack into the shelving just below or just above the article that needs replenishing. The tack stays there until the 'want' is permanently recorded. My lost sales are considerably fewer than they were under the old method."

WINDOW DISPLAYS

LOCAL INTEREST: "I use local interest display windows about every three months, so that they will not tax the public attention too much. By tying in local happenings to my store's stock, I have increased my sales considerably."

UNUSUAL AND INEXPENSIVE: "To push the sales of a foot soap I had in my drug store, I put a pail of water in my window and directly behind it I hung a large mirror in a slanting position. Passers-by gazing into the mirror saw the reflection of a pail of water, on top of which floated a bar of the advertised soap. Also reflected were the words: '10 cents—a mere drop in the bucket. Your feet cured.' The sign, lettered backward, was fastened on the back of the pail so it could not be seen. The unusual arrangement attracted passers-by, and the sign did the rest."

WOMEN CUSTOMERS

WINNING: "Most women like things to be neat, clean, and attractive, so I found that it paid to rearrange my somewhat dingy hardware store into a bright, well-lighted store, with handsome window dressings. Then I directed most of my advertising to women. One morning I displayed white-enameled refrigerators showing how sanitary and neat they were. I sold five that day."

CHAPTER IV

14 TESTED SALES PLANS AND IDEAS

TO win in the big fight for more business and lowered costs, each week and month in the year must show its share of the desired increase," declares Walter Engard, an Ohio grocer. "After the total amount of business we should do is determined, we subtract from this amount the total business done during the last year. The result gives the increased business we must do to reach the required volume of business for the coming year.

"This amount we then divide by 12, thus securing the amount of increase each month should show over the corresponding month of the year before. Going a step farther, we also divide the total figure by 52 to find the amount of increase each week should show over the corresponding week of the year before.

"For instance, suppose we set our total increase for one year at \$10,000. Each month's share of the desired increase must be slightly more than \$800. Each week must show an increase of approximately \$200 over the same week of the previous year.

"To make each week of the year show this increase requires special planning. We map out special sales events for each month of the year, building these events around some special or seasonable article. For some of the months we plan two special events instead of one."

Some of Engard's plans and events are described later in this chapter, but the most important point he

makes is that to secure a normal growth of sales requires special preparation and planning. It is not sufficient merely to say: "We must do \$10,000 more this year than we did last." The larger a business grows the more exacting are its demands for accurate knowledge on the part of the management. The tendency today in all lines of business, investigation reveals, is to analyze markets, to set sales quotas scientifically, and to plan selling events and programs which will sell the goods and win the necessary dollars.

Study of retail merchandising campaigns reveals effective sales plans and policies which group themselves conveniently under these five heads: (1) basic policies underlying successful selling campaigns; (2) getting the facts before you begin to plan; (3) determining on the sales policy; (4) sales plans which build prestige; and, (5) gaging and meeting competition on the right basis.

The importance of a sound store policy is emphasized in Chapter II, and investigation indicates that it is vitally important when a merchant sets out to increase his store's selling effectiveness on a definite plan.

The value of unfailing courtesy to sales was impressed on a Minnesota grocer one day when his store was crowded. A well-dressed woman pushed forward in an effort to have him wait on her, but he politely put her off and waited on a workingman who had been there before her. By the time the workingman had been served the woman's discomfiture had had time to cool.

The grocer soon noticed a steady flow of new customers who told him that their janitor had recommended his grocery as the best and cheapest in the neighborhood. He could not understand why this large amount of business should come to him, until by chance he learned that the poorly dressed laborer whom he had served in his turn some weeks before was the janitor of several large apartment houses near by.

"The customer is never wrong—always right. Money back—no quibbling—or other goods. Always keep promises, and never take advantage of customers. Never force sales."

These four basic rules express the sales policy of an Iowa hardware merchant, and he frequently brings it to the attention of his helpers. When you consider that this merchant's aggressive merchandising methods are built on such a bed-rock foundation, it is easy to understand why his business is rapidly getting into the large-store class.

A policy like this Iowa merchant's is a good starter, say many, but it must be followed up by real constructive merchandising measures if a retailer expects to draw trade.

"Every merchant, I believe, should study his clerks closely," declares an eastern shoe retailer. "Many of us lose sales without knowing why, and hurt a customer's feelings without realizing it.

"Sales in retail shoe stores often are lost because the salesman cannot handle the customer properly," he continues. "And I believe that many more are lost because the clerk ostentatiously calls the proprietor. No one likes to feel that he is being turned over to the proprietor because the salesman cannot fit him, rather than because his importance warrants it. It is our policy to avoid these situations.

"In my store, therefore, we have push-buttons located on the various stock shelves where salesmen go for shoes. When a salesman sees that a sale is being lost because of his inability to satisfy the customer he pushes a button, which at once brings me.

"I saunter up to the customer, ask about the way he is being fitted, and nine times out of ten sell him. The idea that the proprietor has taken a personal interest always is pleasing, and most generally puts the sale across."

The easiest way, probably, to get facts pertinent to your business—taking up the second of our five subjects—is through a close watch on current activities in your territory, and a mailing list. Thoroughgoing mailing list methods will give almost any merchant practically all the facts he needs to know regarding his territory, its population, and its buying possibilities.

HERE'S A SIMPLE ENOUGH PLAN—PERHAPS YOU
CAN USE IT, TOO

One jeweler keeps an unusually careful watch on social and business functions and entertainments. He learns from the different organizations of his city when special events are scheduled. For example, if a group of business men plan to give a banquet and to present a loving cup to a fellow citizen, this jeweler tactfully bids for the order for the gift.

In like manner, he watches all athletic events and graduation exercises, and in a dignified manner solicits the business of supplying trophies or gifts.

If a customer buys an engagement ring, this merchant gets the facts about the forthcoming wedding and in plenty of time—through a card index system—approaches his customer regarding the wedding ring. When the first child comes, this jeweler makes known to the parents, friends, and relatives that he will be glad to help select presents for the baby.

The card index "follow-up" doesn't end here, however. The anniversaries of each wedding—even up to the fifth year, and in some instances, up to the tenth year—bring business to his counters. No insistent solicitation is made under this plan—just a vague hint is thrown out on an engraved card to the effect that the prospect addressed will doubtless in time select a present for a certain event. The jeweler then points out that he has a "complete stock at



Figure 2: When one merchant noticed that most customers usually asked the same questions it occurred to him that he could answer many of them by cards and labels like these, thus saving salespeople's time. The cards proved effective, he says.

reasonable prices." He never solicits these prospects "in between times"—when he has no logical reason to believe that they are in the market.

The jeweler also enlists the aid of his salesmen in helping his follow-up system to make summer sales. The salesmen are constantly picking up the names and addresses of new prospects, and a little "sleuthing" follows as a result.

Say, for instance, that Robert Dwinell, a bachelor, purchases an engagement ring. His name is noted in the card index, as shown in Figure 3. This card, when completely filled out, carries the prospective benedict's full name, his address, the name of his fiancée, and the date set for the wedding. These facts usually are obtained through the society editor of the local newspaper—who is usually glad to get a tip on the approaching wedding.

One week, as the summer season approaches, this card index is brought up to date. The salesmen are too busy at other times to give it close attention. Each man spends two or three days going over all the cards, adding any information he may have secured.

The name of each customer's favorite salesman appears on the card. According to the jeweler, this system does more than merely to keep him posted on the dates when his customers probably will be in the market. It also binds his regular trade securely to his store, and it makes the occasional buyer a habitual buyer. Its influence extends from generation to generation. Unconsciously, perhaps, the customer finds his mind reverting to this one shop whenever he has occasion to buy jewelry, although he may pay little attention to the fact that the jeweler's dignified but convincing card comes to his desk just at the right moment two or three times a year.

"I rely upon my mailing list to furnish me information upon which to base my selling plans," says another

jeweler. "It is cheap and simple to secure a list of taxpayers from the tax records. Then, when customers buy who are not on this list, they can be added. For instance, suppose a woman comes in to look at knives and forks, and she decides that she will drop in again.

"I always secure her name and address at this stage and make a note she is looking at 'k. and f.' Later I write her a letter and call attention to my lower-priced lines, if I believe she was shown too expensive stocks. If she fails to come in again, I mark the card (see Figure 4) carrying her name and address, with a signal to indicate that she probably is buying of competitors. At reasonable intervals she and the others in the same 'customer class,'—I divide my direct advertising list into classes—receive special offers which I believe should interest them in my store. Once the list is started, it grows automatically, if every sale is recorded on the proper card."

That this method is equally popular in other lines is brought out by investigation.

"I go after the business of every new family that comes to town," says a wide-awake small-town grocer. "I get the names of new families from the newspapers, from real estate agencies, telephone directory, and any other available sources.

"Among my plans for getting these names is an agreement with the pastors of several churches. I say to them, in effect: 'If you will tell me the names of new families moving into your neighborhood, I will do the same for you.' We both benefit by the plan.

"Then I go to the new family in person, taking with me samples of advertised food products. I give them the samples with my compliments and explain that I carry about all the popular brands and can sell them the goods they know about. This appeals to them as being better than starting on new and untried food-

stuffs. The sample assortment is a gift. As a result their good will and business frequently comes to me. I keep after them with personal letters, until I feel that I have their business permanently."

"One can easily dwell too much upon mistakes," says a Pennsylvania delicatessen dealer," yet mine have taught me a rule that I find it worth my while to follow: no merchandise plan is safe or advisable unless, in advance, it is traced throughout every ramification of its results as they will apply to the particular enterprise.

"'Hungry? Phone Berriman for Good Eats,' proved an excellent newspaper advertisement. But it kept our telephones and delivery wagons so busy that both had to be increased in number until the overhead devoured the profits.

"Similarly, mailings to selected lists didn't pan out well. One of them followed up by direct solicitation started strong, but repeat sales were nothing."

THIS MERCHANT PUTS HIS CUSTOMER DEALINGS
ON A PROFITABLE BASIS FROM THE START

One druggist also makes it a policy to follow up with a personal letter every new family that moves to town. He secures the names of the families from real estate dealers. When there are children in the new family, the druggist finds that the forte of his appeal is nearly doubled if he addresses his letter of welcome to one of them.

The determining of the sales policy—our third general subject—finds merchants almost unanimously of the opinion that sales efforts are far more effective if they are planned at the start to line up with standard policies of the store in question.

"One method which I have found helpful in working out plans for a year's merchandising operations," says an eastern department store owner, "is to prepare

Name	Robert King Twinnell		Business	V.-Pres. Watkins Blain Co.
Address	702 Madison Ave.			
Res. Phone	849	Bus. Phone	400	Salesman Chambers

Jan. 12-14-17	Juw. Set	\$28.50	Remarks: Aug. 2 - Engaged
June 8.	Shelf. Pkch.	8.00	to Miss Mildred Barclay
"	Salt & Pap.	11.00	108 Madison St.
" 12.	Tray	6.00	Wedding Oct. 3 - Afternoon
July 1	Diam. Solit.	75.00	Tickler Memo. Aug. 18.

Figure 3: A complete record of a customer's inclinations and purchases is kept on this card. Any facts which will suggest jewelry purchases of any kind are entered at once under "remarks."

Name	Corwin, Mrs. Leo B.		Phone	West 807
Address	3121 Riverside Ave.			
Business	Mrs. C. Sales Mgr. Brownlay plant			
Remarks	Looked at K + J - 10/14 Wrote 11/15			
	Called 11/17 No purchase Wrote Class C			
	letter 12/15			

Figure 4: Another jeweler gets the names of all customers and prospects he can. He classifies these names as described on page 35. This plan enables him to hit the mark hard with his sales letters.

a schedule of various timely events. Such a schedule may easily be prepared by running through the pages of a calendar, and it will suggest a number of timely and appropriate sales plans.

"I study the seasons, also. I plan ahead for seeding time; stove campaigns; fur selling and fur storage campaigns; style shows and style publicity; and put down on paper a definite schedule of every operation. I do not depend on memory or wholly on the nearness of the event to remind me. About the only events which cannot be scheduled, I have found, are the births and deaths of people and styles—all of which call for special treatment in merchandising.

"Again, I schedule the opening and closing dates of schools and colleges; the dates of conventions; the dates of the opening of the baseball and football seasons; election days; inaugural days; the dates of the opening of legislatures and congresses, and other important news dates. All of these events may easily be linked with merchandising, advertising, and store service in practically any store's selling plans.

"When the schedule of coming events has been completed as far as practicable, I have found it a good practice to note carefully which department will be affected or helped by each event. Then I give each department head a list of scheduled events which are of interest to his or her department.

"Coming back to standardized sales policies, if a store's general policies are not definite and clearly understood by every individual in the store, pains should be taken to make them so, as they are linked so closely with sales efforts. I speak feelingly and positively on these subjects because I have seen the success or failure of a good many campaigns hinge on the knowledge of store policies.

"Here, for example, are some of the specific questions that come up in connection with every merchandising

plan, whether it covers a year, a month, or only a short selling event:

1. Shall the store use comparative price quotations in its advertising?

2. Shall the store stand back of every transaction and endeavor to make a permanent customer of every customer who has a complaint?

3. Shall the advertising be handled as a service to the public for the good of the store today and tomorrow, or is advertising space to be used for specific department operations regardless of the future, and at the expense of established publicity policies?

4. Is the store's publicity to be judged solely by the specific, direct visible results it brings, or is it to be judged also by the success with which it reflects the day-to-day character of the store, its operations, and its foundation policies?

5. Is the store's merchandising to be judged by spectacular selling events in certain departments, or is it to be judged by the well-regulated operation of all departments?

6. Are there weak departments which are to be given a helping hand at the expense of publicity and display that should be given to other departments?

7. Are there certain departments in the store which have developed prestige enough to justify special consideration in the general merchandising plan of the store to help other departments?

"Of course, the answers to many of these questions can be determined with but little study, and the wisdom of adopting those answers as definite policies is self-evident. It is not always easy, however, to get the policies practiced effectively, and that is the reason I have emphasized the need for standards.

Actual sales plans—our fourth head—form the subject in which you are, perhaps, most interested.

But don't lose sight of the fact that most merchants declare that behind a particularly successful plan you will almost invariably find careful study and a foundation of sound merchandising principles.

An Iowa dealer in general merchandise formerly started a series of sales at the first signs of hot weather. He made what turned out to be a mistake, however, since he called these sales by definite names, when, as a matter of fact, they were merely plans for getting rid of stock that threatened to hold over into the summer. For example, he might begin with an "odds and ends sale," then follow with a "clearance sale," announce next a "general clearance sale," and finally hold a "profit-sharing sale." During the first three years he found that the money he spent advertising this string of sales through the newspapers and circulars returned a fair percentage of profit. The fourth year he only broke even.

The fifth year he found little response to the "odds and ends sale." His second sale also went dead. He was worried when he signed a check for page space on his third sale. And the buyers simply didn't respond to this publicity. Something had to be done.

**IF YOU ARE IN A HOLE LIKE THIS MERCHANT WAS—
WHY, HERE'S A HELPFUL WAY OUT**

This merchant studied his dilemma carefully. He decided that he had cried "wolf, wolf" too often. He found that his customers no longer believed that his sales really meant much to them because they had found these sales were little more than efforts to clean off overstocked shelves.

So the retailer dropped the word "sale" entirely and instead began what he called a "three-word selling campaign." The three words were "final disposal days"—nothing here that smacked of high-pitched sales announcements. He bought a moderate amount

of newspaper space and frankly admitted that there were some "stickers" on his counters which he wanted to sell. But he made his prices right and the response was immediate.

"Almost any small merchant can cash in legitimately on a big store's 'special event week,' I believe," says a furniture merchant. "When a department store across the street from me had its regular 'baby week,' I decided that I could take advantage of the drawing power of the event. My neighbor does not sell furniture, and that prevented any appearance of unfair competition being reflected on my store.

"My establishment is not large, but it has an attractive entrance with two big display windows. In these windows I placed goods that would catch the eyes of the mothers on their way to or from the big sale across the street. I made the transition from baby goods to furniture as easy and gradual as possible. Baby carriages, a few large toys, and several smaller articles for the nursery, obtained specially for the purpose, were displayed prominently to get attention for the regular goods in the background. One window displayed a fully furnished child's bedroom, with white bed, table, chairs, chest of drawers, pictures, and rugs.

"That the idea is a good one was shown by our unusual activity during 'baby week' and the week following, of the lines displayed at that time. A few slow-moving items were cleaned out entirely, and in one or two instances we took orders for quantities over our regular supply."

"We are continually putting on special sales of one or more articles," says a "live" southern druggist. "Most of our job lots we dispose of in this way. It is often said that with proper sales methods you can dispose of a large quantity of a given article more quickly than you can a small quantity. I have found that if we have only half a dozen alarm clocks on hand we may

be a long time in selling them, but if we have 200, we fill a window full of them, stack some more on a table close inside, run a newspaper advertisement offering them on a certain day at 69 cents, or some like odd figure, and we probably dispose of the entire lot."

This brings us to our fifth and last division—gaging and meeting competition. In these days of huge mail-order concerns and department stores reaching out for trade into small towns and rural districts, no merchant can safely feel that he has a "strangle hold" on the buying dollars of his community. He is due for a rude awakening, if he has that feeling.

That wide-awake progressive merchants are not only holding their own against, but are actually taking business away from their big-city and catalog competitors is clearly pointed by investigation. More and more, merchants are waking up to the fact that they offer their communities certain definite advantages. With this realization goes a growing appreciation of the value of merchant's "get-togethers."

"Our problem was to meet the competition of a city more than 12 times as large as ours and only a few miles distant," says Frederick Hall, a small-town merchant who owns a store in Illinois.

"The solution came when we made an offer to pay the round trip fare of any customer who came to our store and made purchases amounting to \$5. The plan proved a winner as soon as we started it, a few years ago. It has led to many new and unlooked-for expansions.

"For instance, the customer who came to town in his own buggy or automobile wanted to know how he was to participate. For him we provided a ticket that provided for the stabling and feeding of his horses—or, if he preferred, he could have a meal ticket good for a dinner at any hotel or restaurant in town. Our semilocal customers asked: 'What about us?' For

them we provided a brass coin stamped with the words, 'Good for 20 cents in our 5- and 10-cent department.' Then customers who lived outside of the 20-cent trolley zone—the limit we had fixed—wanted to know what we would do for them; so we worked out a schedule for refunded car fares.

"In a very short time, out of a population of 25,000, we had the names and addresses of 2,000 people who had been in our store, purchased a bill of goods, and had given their names and addresses to salesmen. Sometimes as many as 60 or 70 came in one day and we have refunded in a single afternoon over 50 car fares. To keep these customers interested in our store we send them circular letters announcing our special bargains from time to time."

This completes our analysis of selling methods which have proved unusually successful in small stores. All of the plans described in this chapter emphasize the necessity of knowing all the important facts about your store and your community, and then finding new ways of getting your community's attention. Be newsy, for people like news, as one merchant puts it. Customers are always eager to see and hear something different, and when you give it to them, sales jump up and costs jump down.

CHAPTER V

ADVERTISING METHODS THAT INCREASE PROFITS

HIS semiannual buying trips to New York furnish the best of advertising material to one western merchant. Once in New York, he orders several thousand form letters made up on letterheads showing his name and "New York City."

A few days after he reaches the city every customer on his mailing list receives a brief friendly note from this merchant, containing a few newsy hints about coming styles, a word about the care he is using in selecting high-grade stocks, and an invitation to drop into the store after the merchant's return from his trip in the East.

"These letters always make a hit," declares this merchant. "They are the best advertising I put out. The New York postmark alone makes them fairly sure of a reading, and when the letters are read my customers feel that I will be right up to the mark in offering new and attractive goods. Of course, this feeling is reflected in more business for me."

Advertising is of vital importance in the development of the small retail business. This is proved conclusively by the experiences of merchants who were once "small merchants" but who are "small" no longer. Find a retailer whose business has "outgrown its clothes," and almost without exception you find that advertising is an important article of diet which has contributed to its growth.

Close study of advertising methods used by 93 growing small stores reveals that plans and policies based on careful investigation and analysis take the place with them of hit-or-miss methods. The progressive merchant, no matter what his size or line of business, is substituting accurate knowledge for guesswork. He is choosing mediums which will reach his prospects most economically. He uses fundamental advertising principles upon which to work out result-getting copy for circulars or newspaper advertisements, window displays, and so on.

There are three principal methods employed by the 93 merchants to make their advertising expenditures pull greater returns. These methods are: (1) building store personality in advertising; (2) making advertisements more newsy and interesting; and, (3) settling details by test and analysis.

You read in Chapter II how a number of wide-awake merchants are building up forceful store personalities. Here we may take up several plans having direct relation to everyday advertising problems—plans which contribute directly to store personality.

Standardized type faces and styles of composition probably represent the most popular, and no doubt one of the most effective ways of getting store personality into circulars and newspaper advertisements. Choosing a clear, readable type face which has distinctive features, is a method pursued by a large number of progressive merchants, and it has the advantage of being easy and effective.

One retailer held a contest and offered attractive prizes for various groups of contestants, as children, high school pupils, and adults. Each succeeding advertisement he had set up differently—different type, new arrangement, different styles of layout entirely. Prizes were offered for the best letters telling which advertisement of the series was most effective

from a type-and-layout point of view. Each letter had to be accompanied by a complete set of the advertisements sent out.

The replies gave the merchant the information he desired regarding type and layout, and helped him to establish a definite advertisement policy and personality. Incidentally, he obtained a first-class mailing list, and a fine lot of effective advertising while the contest was on.

HERE ARE SOME MIGHTY VALUABLE IDEAS ON AN
INTERESTING ADVERTISING POINT

Studying advertising in metropolitan newspapers gave one Wisconsin merchant a number of good advertising ideas, among them that of standardizing on one type style. When he found that the local newspaper office had none of that particular type he insisted that it be purchased.

One retailer says: "Get close to your printer; get his cooperation; use his knowledge, for on many points he can advise you. But all the time study your advertising closely, to determine what policies are sound and profitable in getting new business."

Getting more news into advertising and making displays more interesting—the second method we enumerated—were not difficult tasks for a New England small-city clothier, when he got down to fundamentals in reasoning out ways to brighten his advertising.

"We decided not to allow a bundle to go out of the store unaccompanied by a blotter or some other little advertisement," says this merchant. "In the furnishing goods department we keep blotters advertising the clothing department, and in the clothing department there are blotters about the furnishing goods department. In this way, we call the attention of those buying in one department to what we have to offer in our other departments.



Smile-Mister-Smile!

WITH
"Dick"

Producer of...
FINE TAILORING and HIGH-CLASS MEN'S WEAR
...for the majority...
"The Particular Gentleman"
Boulevard Avenue — Des Moines, Illinois

Dear Sir:

JOIN THE "DICK" SMILE FANS, MISTER!

Get a grandstand seat in the All-American comfort game!

Men of brawn and men of brains--boys of fifteen and boys of fifty--chaps with wealth and chaps without it--all are members.

I want you to feel--even if you were never in my new show rooms--that you are looked upon as a member of the "Dick" Smile Fans. I have your name on my roll and from time to time I am going to send you literature, ideas and suggestions with reference to my High-Class Tailoring and Men's Wear.

Whatever you do--wherever you go--no matter what your game in sport or business--whether you are stout, slim, tall or short--whether your fad is baseball, foxtrots or automobiles--you will have a batting average of 1,000 all the way, and "get there" with mind ease and body comfort if you wear "Dick" Tailoring, Hats and Haberdashery.

Style is hand-tailored right into my Suits at \$18.00 to \$35.00, so that the style lives as long as the fabric. A skillful touch there--a master designers improvement here--and the result is a rare combination of dash, tone and individuality.

My idea of the greatest possible service to the wearer is embodied in this line. And this means greatest service in fit and comfort; greatest service in fabric and long wear; greatest service in fashion and finish.

You owe it to yourself to view my new fine Woolens, Hats and Haberdashery--because--for every dollar you spend you get more real value than ever before.

Now...once more I say, MISTER..

JOIN THE "DICK" SMILE FANS

Hit 'er out for a home run to my "QUALITY CLOTHES SHOP" and slide safe into the "Up-to-the-Minute" Tailoring, Hats and Haberdashery.

Yours Smiling,

"Dick" Larson

Superior
THE PERFECT UNION FIRM

FOR SMILE FANS

"THE
KNOWING
SMILE"

Bill Says--

"NO
Old-Fashioned

Tailoring
and
Men's
Wear

For Mine.

I bought my
first Suit from--

"Dick"

Long Ago and I
tie up with him
FOR EVER.

Satisfied?
Sure I Am!

You ought to be
able to see it, for
it's written all
over my face."

Figure 5: This style of approach probably would not work at all for some stores. The reason it is pulling trade for Dick Larson is because it is Dick Larson talking. The reader is never in doubt as to who is talking. The point is--be natural. Naturalness leads to personality.

"We also obtained a great deal of publicity last spring by printing up a lot of baseball score cards for the high school, with the players' names on them. The cards were given out at every game.

"I find that women want to handle the goods they buy to an unusual extent, and women constitute a remarkably large percentage of our buyers. Along about Thanksgiving time we put next to the boys' department a rack of bath robes and house coats. Women coming to the boys' counter cannot help but notice this display. They see that we have bath robes and house coats in well-selected patterns. One Christmas time we had to reorder bath robes and house coats twice. This increase of sales in these two lines I credit directly to putting them where they could be leisurely examined well in advance of the holiday season."

Hitching-up advertising with local events and community interests pulls splendid results for several merchants, investigation reveals. One western jeweler by concentrating on this policy has practically doubled sales within a comparatively short time, and with absolutely no increase in advertising outlay.

"When the schools gave a May Day celebration," he says, "one of my windows contained a miniature May pole surrounded by dolls. During the baseball season I usually show for a week a little baseball field, with tiny players properly named. Under this method I believe that it is advantageous to connect up with the manufacturer's national advertising, both in printed advertisements and in window displays.

"At one time I tried to buck the national campaign of a jewelry manufacturer with another line. I spent a lot of money and in the end lost out. Now I use a manufacturer's advertising and push other lines indirectly while his campaign is on. As a result, I sell more of both lines. I also find it wise to use freely the various advertising services offered by manufacturers."

passed by your nation. One hour out of eight mispent is a waste of 12 1/4% of the working day. Yet how many business men waste an hour daily listening to useless talk as casually as they would waste

**When we say
"We sell good Watches,"
we mean Watches that
stay good**

We have built our reputation and our large watch business upon the policy of offering only such watches as we can recommend, and we maintain an interest in their performance after the sale.

We know our watches and we know how to make them fit your personality—the way you carry a watch. The result is, the watches purchased from us keep time.

A good watch is a great convenience—greater than you appreciate if you have never owned one.

Let us show you some good watches.

Frank L. Scofield
30 Kingman St.

When the Correct Man's


...between mere noise and ideas. Be

the order, it is settled as applying to that

**IT isn't possible
to make better
Floor Varnish than
CARTER
Marble Floor**

Finish—the best material obtainable; is properly put together and thoroughly tested before it is offered to you—and it doesn't cost more than the ordinary kinds.

F. A. CARTER
108 River St.



**HERMAN'S
U. S. Army Shoe**
Most Comfortable

and most scientifically constructed outdoor shoe in the world. Every man who wants to keep his feet easy and efficient—free from corns, stiff joints, improving nails, calloused heels and blisters—should wear Herman's. Every U. S. soldier, from private in general, wears this new shoe by order of the War Department. Price \$6.50 Per Pair.

W. D. ANDREWS CO.
216 East Washington St.
Come in and try on a pair.

Figure 6: These three little advertisements show as many kinds of treatment, and all are effective, you'll agree. The paint dealers copy is evidently borrowed, which does not hurt it any, and is added proof of the value of adaptation. Too much "we" in Scofield's, perhaps.

summer, at one
 years ago. Hibbard
 son. He
 by being
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 case who
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 son them
 Charles
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 Bartlett
 "condemned"
 son. He
 of 1915.
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 in fifteen,
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 That is

Now for the Sale of White in the May Mobilization Sale

THE wide diversity and comprehensive scope of the White Collections in this MAY SALE of 1917 outweighs every other consideration when wisely makes her selections for Summer. "VALUE" is understood—the RITCHIE MAY SALES each year stand pre-eminent in the moderate pricing of Superior Styles and Qualities. This May Sale of White was planned months ago as one of the SPECIAL FEATURES of our Great MAY MOBILIZATION SALES and makes this an event of great importance. The following items advertised merely hints at the extent of this MAY WHITE SALE ASSORTMENT.

GIRL GRADUATES AND JUNE BRIDES will Profit through This Store's activities

May Sale of White Goods

40-inch White Voils, fine quality. 25c
 40-inch fine sheer Organadies, yd.... 39c
 45-inch fine White French Voils, yd. 50c
 42-inch fine sheer Organadies..... 48c
 Hundreds of yards of beautiful fine striped
 and check waisting, st, yd..... 25c

Mobilization Sale of Shoes

Enlist as one of the buyers in our shoe department. We have prepared months ago with future buying in our shoe department, and the results are, there has been heavy advances—we are giving our customers the benefit of our buying—cu-

tomers are coming long distances to buy shoes from our fast growing shoe department. See our new spring styles for Men, Boys, Children and Women.

May Sale of Suits and Coats Prices Wonderfully Attractive

May sale of Women's Suits, Coats and Skirts in the newest most fascinating modes. Value vying with variety vastly to interest the coming June Bride, Madam and Miss Appleton City.

\$7.98, \$11.25, \$13.50, \$15.50
ONE DOLLAR

You will find ten different styles of waists priced in this May Sale for... \$1.00

Buy Here Buy Early Buy Plenty

EAGLE Trading Stamps are given away absolutely Free with each and every purchase, which is one more reason why you should attend this GREAT MOBILIZATION SALE.

You'll do better at.....

RITCHIE'S

ST. CLAIR COUNTY'S GREATEST STORE

The firm is an old one, dating back to 1838, in the days when Chicago was a little Lake Michigan port. The policy has had time to bear fruit. And the wisdom of that policy is shown by the growth of the business and the experienced men who are now in charge.

And so, many years ago, he thought of the business as they most hold their men, that the house might go on, and expand, out many years of practical experience and direct contact. Hibbard, Spencer, Bartlett and Company's catalog—to prove the point—contains about 100,000 items,

that he was the logical man for the presidency when it became vacant. And they will tell you that as a hardware buyer his detailed knowledge of "what's what" makes him one man in a thousand. Charles believes that buying is the most important part of the business. His de-

Figure 7: Here is another advertisement which shows greater familiarity with the merchandise, and suggests close study of the community's needs. It is timely, too. Some of the type is very bad, however. Note particularly the first paragraph—it is difficult to read, and mussy.

Valuable hints on window display may be had from a window-dressing experience of a delicatessen dealer. A new man from a big-city fancy grocery dressed his window with imported goods—a beautiful display.

“But from Monday until Friday not an article sold from that beautiful window,” declares the merchant. “So out went the aristocratic bottles and cans and in went loose cakes, figs, dates, peanuts, honey in the comb, smoked fish, deviled crabs, boiled chicken, cold boiled meats, and salads. By 10 o’clock that night the window was empty—everything sold. A magnificent window display of honey in the making—bees, hives, combs, the whole natural process in operation before the public eye—held popular attention for a week; but it entailed the loss of five times the volume of general sales beyond the sales of honey it produced. On the other hand, displays of delicacies in front of counters, right where a customer can help herself to a sample, eat it and enjoy it, mean sales to me.”

Definite information about goods is important, too, this same merchant says. “All our signs are designed to be instantly informative as to price, and emphatically instructive as to the character of the article. A girl clerk with a genius for cooking, stuffed two dozen handsome red tomatoes with chicken salad and, during my absence, placed them in the window with a sign of her own devising—‘Stuffed Tomatoes, 20 cents each.’ When I returned to the store, at 5 o’clock, not a stuffed tomato had been sold. The sign was changed instantly to ‘Chicken Salad Stuffed Tomatoes, 20 cents each.’ By 6 o’clock—one hour—the whole two dozen tomatoes had been disposed of.”

A Missouri hardware man keeps his windows brilliantly illuminated and calls his store “the brightest spot in town.” He changes his display each week—he has two windows—and makes it a point to mark prices plainly.

A stationery shop handling photographic goods had in its window several different sizes of cameras. Grouped around each model were several amateur pictures made with that size of camera. The range of subjects was wide, but emphasis was placed on snapshots of children. A noticeable increase in sales followed this attractive and appropriate display.

Going on to the last of the three principal methods enumerated early in the chapter, investigation indicates clearly that most of the detailed problems involved in retail store advertising are greatly simplified if careful preliminary survey and analysis are made of a store's market; of its logical trading radius; of its possibilities for reaching beyond that arbitrary limit; of what class of trade it aims to attract; of the extent and type of its competition; of transportation facilities in its territory which affect the trading population; and of other questions which quickly suggest themselves.

YOU MAY FIND THE ANSWERS TO SOME OF YOUR
BIG PROBLEMS HERE

Taking up first the question of what mediums to use, most small-store merchants find display windows the easiest, most economical, and best pulling medium they can use. Hardly a retail store anywhere but has its show windows filled with merchandise displays. Just how far to go in using advertising space which represents a more apparent outlay of dollars and cents is, of course, a question for individual stores to decide.

"I figure that the more steam you can crowd into a few mediums—provided you select the mediums which will give you the largest circulation of the grade you need—the more real advertising you get," says a New England clothing merchant. "So we narrowed our advertising down to newspapers, mailing lists, and moving picture slides. We found that the money concentrated in these mediums gave far greater results."

Lower costs resulted for a West Virginia jeweler when he concentrated his advertising appropriation in letters to selected lists. He has his customers and prospects graded by the kind and quality of goods they are interested in, and hits them hard at intervals with well-done form letters calling attention to specific articles on sale.

To build up and maintain his lists he uses sales slips upon which clerks write customers' names and addresses. In order that customers will not think they are being cross-examined unreasonably when they make cash purchases, inexpensive gifts are sent out to the list of names at regular intervals.

Close study of his mailing lists and the definite information he possesses about each customer and prospect pointed out to one merchant a number of interesting facts about purchasing power, so he made a list of them for the benefit of his salesmen. Intelligent use of letters based on these intimate facts has led to a splendid increase in sales.

Here are a few of the facts just as he jotted them down:

"Every newly married couple surely needs from this store something in addition to their normal demand.

"Every young man with a 'best girl' is interested in certain lines, which in jewelry include a diamond, and probably a plain gold ring.

"Every piece of patterned stock is a foundation for more sales in the same pattern.

"Every owner of certain types of valuable possessions should have them repaired at regular intervals.

"Every automobile owner has special wants.

"Every baby offers a chance for varied sales, especially if its birthday is recorded.

"Every boy needs 'grown-up equipment' of various kinds at certain ages, and his father should be reminded of this."

These ideas all refer to a jewelry business, but the fact that they have already been borrowed and profitably used by merchants in three other lines proves absolutely that they are valuable no matter in what line they are put to work.

In handling his customers' list, this merchant uses 3 by 5-inch cards. Along the top of the card runs a line reading: "1, 1A, 1B, 2, 2A, 2B, 3, 3E, 4, 5, 6, 7." These signals have the following meanings: 1: Customer who uses high-grade goods. 1A: Customer who uses medium-grade goods. 1B: Customer who uses cheap goods. 2: Customer who uses high-grade goods but divides his business. 2A: Customer who uses medium-grade goods but divides his business. 2B: Customer who uses cheap goods but divides his business. 3: Customer of competitors who uses high-grade goods. 3A: Customer of competitors who uses medium-grade goods. 4: Prospect who sends out of town for goods. 5: Prospect who will want some particular article. 6: Prospect living out of the city. 7: This number is blank for special use.

Merchants who take a different view of advertising, who recognize in it a powerful trade-drawing force if rightly applied, who look upon the money they spend for advertising as money invested and therefore to come back with interest—these merchants are studying continually how their advertising efforts may be made more productive of sales. It never pays, they hold, to take for granted that the methods in common use are the most effective. Instead they set out to prove every method and policy before they decide to pour money down any particular channel.

CHAPTER VI

PLANNING THE STORE FOR GREATER SALES

A RHODE ISLAND merchant, whose store is an accepted meeting place for women shoppers, noticed recently that his customers had abandoned the regular waiting room in favor of the stools at the glove counter facing the main entrance. Gloves, he realized, are seldom purchased to satisfy a passing whim. The glove department was suffering more from the crowds around the counters than it was profiting by sales to the waiting shoppers.

To benefit from these "waiters" this merchant removed his glove section and put in its place a novelty counter piled with feminine frills and furbelows. Now the women who wait there for friends cannot get away from a continual, subtle suggestion to purchase some knickknack. A sufficient percentage of the waiting shoppers yield to the tempting display, to increase the yearly novelty profits substantially.

The small-store merchant, investigation indicates, must plan his store interior with an eye to several different factors—suggesting additional purchases, helping reflect store personality, making the most of space, economizing time and effort, saving light, and so on. This sounds complicated in words, yet probably most merchants when laying out their stores do—although unconsciously, perhaps—consider these five factors to a greater or less extent.

Let us consider store layout under these five factors, and, taking them up in order, discuss under each one,

methods which have been tried out and proved successful by small-store owners in various lines, in every section of the country.

One of the most valuable methods for decreasing costs is that of securing more sales from each customer, by suggestion. It costs much less to sell to a customer to whom you have sold before than it does to make a sale to a new prospect, retailers agree.

In 98 retail stores, a series of tests covering a period of two years, and under all possible varieties of conditions, established the fact that a minimum average of three, and a maximum average of five purchases, can be induced from every customer.

Twenty-four dry goods stores, 14 men's furnishing stores, 12 drug stores, 8 hardware stores, 5 shoe stores, 6 jewelry stores, 7 furniture stores, and 22 general stores were included under this test. The three factors upon which special effort was put in these stores to prompt larger purchases were: (1) store environment—exterior and interior; (2) suggestive arrangement of stocks; and, (3) clerk-rotation of customers.

The test results in these 98 stores indicate that when these three factors in selling are developed and utilized intelligently, every customer will make at least three purchases, and possibly five. Today, the proprietors of all these 98 stores believe that to allow a customer to leave the store after having made but one purchase is to lose at least two thirds, and possibly four fifths of his buying possibilities.

"Whenever a can or package is taken from a shelf in our store," says a prosperous grocer, "the one next back of it is moved to the front. This gives the shelves the appearance of being filled all the time, and helps, we believe, to give customers the impression that the store always is fully stocked.

"We have one counter on which we place merchandise just received, or articles we want to push hard.

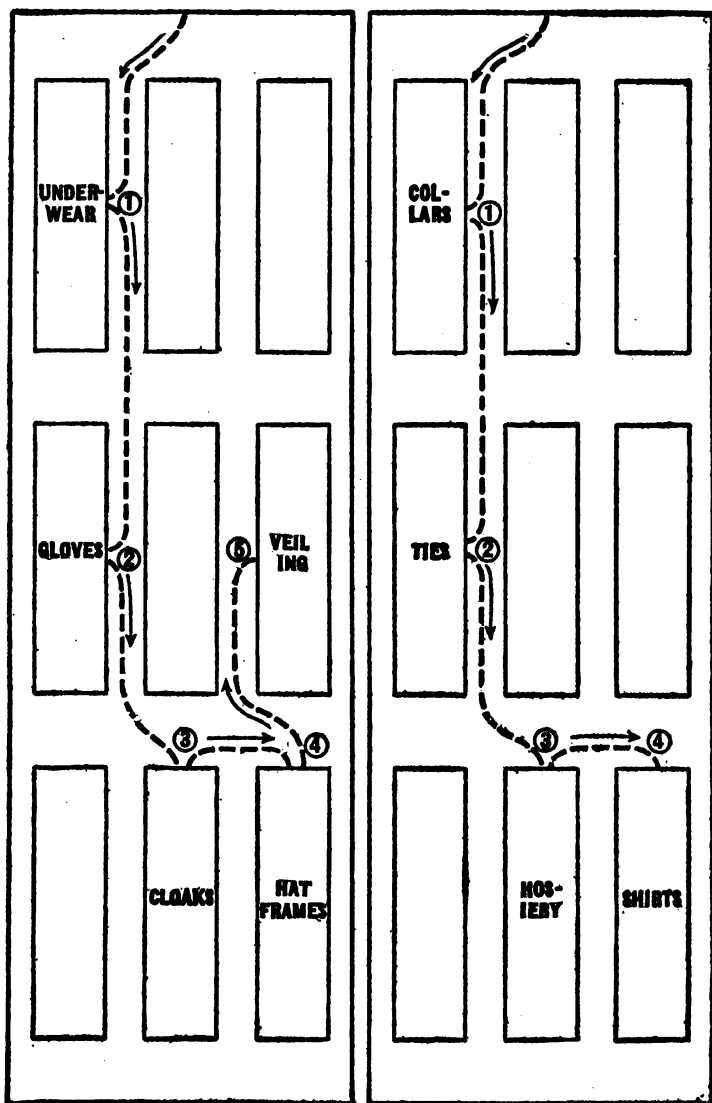


Figure 8: Here is diagrammed a detailed analysis of how the right arrangement of counters and displays leads to other sales. Customers who came into this store to buy one article, often made three or four other purchases before leaving the store.

We find this plan an effective help in increasing our rate of turnover, and as a means of sales suggestion to the customer who does not know just what she wants. We usually display 10 or 12 articles at one time. Each article is marked with a price ticket and on the ticket appears a few words about the article. When a customer has purchased all she originally intended to, we suggest that she look over the articles displayed on this counter. We generally sell at least one item and sometimes as many as eight or nine.

**THESE PRACTICAL PLANS ARE WORKING TO
INCREASE THE SALES VOLUME**

"We have estimated that if we sell each customer 25 cents' worth of goods more than she had intention of buying—and we serve an average of 15 customers a day—figuring on a basis of 300 working days a year, the increase in sales amounts to \$1,125. And, as we employ five salesmen, each following the same plan, it means a \$6,000 increase over a year."

One druggist has a particular spot near his front door for timely displays, relying upon their timeliness to make big sales in a short time. For example, he sells umbrellas, but does not always have them on display. When clouds gather and the first raindrops begin to fall, he hustles out his rack of umbrellas, and thus catches many a dollar from passers-by who are caught by the shower.

One suggestion plan that sells a lot of goods for this druggist is his practice of making every display in the store a lead to other articles. A diagram of one of his counters—and illustrating this plan—is shown in Figure 9.

Revolving display fixtures help one line in an Indiana furniture store to sell itself—the goods displayed are tools which the merchant puts in as a side line in order to quicken his rate of turnover.

"When you come into my store," he says, "you immediately find you have visited a store which does not display goods according to usual methods. The difference begins at the windows. I have arranged a device which we call our auto display fixture, because the mechanism which operates it is a bevel gear taken from an automobile. It is a cylinder, about six and one half feet high, and extends from the floor of the window to the ceiling. It has six faces, and on each face are displayed different articles, together with prices and a short description.

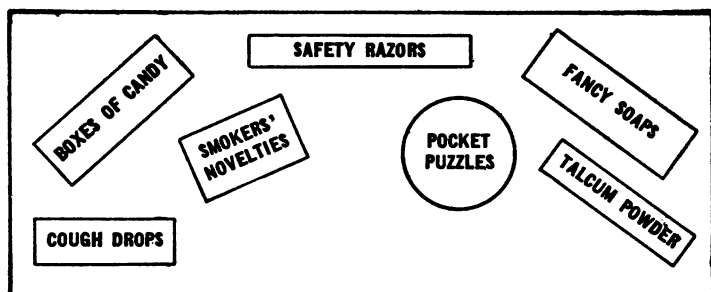


Figure 9: This display of assorted goods on the cigar counter increased the sales of one druggist 50% without increasing expense. Every display in this store is planned to lead customers to buy more.

"Just outside the window is a little wheel and a sign which tells prospects who stop to look in the window to turn the wheel. When they do so, the entire cylinder revolves and the six faces appear in succession. A prospect can make the cylinder revolve as slow or fast as he likes.

"This gives the prospective buyer something to do. Most people like to work the wheel. He can stand and look at the articles and see for himself exactly what they are like. The articles are numbered, so he can come right into the store and say to us: 'Give me one of those number 5 knives.' He probably hands the

exact change across the counter, if he happens to have it, and the sale is made with practically no effort on our part. In other words, he sells to himself."

Closely allied to our first head are tested layout and equipment plans which logically fall under our second head—helping to build store personality.

Two or three big delivery baskets placed just inside his store door attract the attention of one grocer's customers. In the baskets, wrapped separately, he puts all his canned goods with dirty or torn labels, figuring that their spoiled appearance will very likely make them stickers.

To prevent that possibility he puts this sign on them: "Take a chance for 15 cents. You may draw peaches or lobsters." The dealer saw to it, however, that every "chance" gave the customer good value, thus linking up his layout idea with his basic store policy—honest goods at honest prices. He offered four chances for 50 cents, and 10 for \$1, to further this end. When goods move in lots, as these did, it doesn't take long to clear the shelves and get the money into the till. The position of the display is, of course, the big secret of success here.

**HERE ARE IDEAS WHICH SHOW YOU HOW TO MAKE
EVERY SQUARE INCH OF SPACE PAY**

Ingenuity is almost always required to fit the limited space of small stores to their requirements. A Michigan dealer in paints, varnishes, painters' supplies, and wall paper does business in a narrow store, 12 feet wide and 20 feet long. His stock is, of course, bulky, and if he carried it in the store proper, he would have scarcely any place left where customers could stand. So he has solved his space problem by making his store merely a sample room. A large basement is included in his rental, and here he keeps his regular stocks, at a vast saving of space.

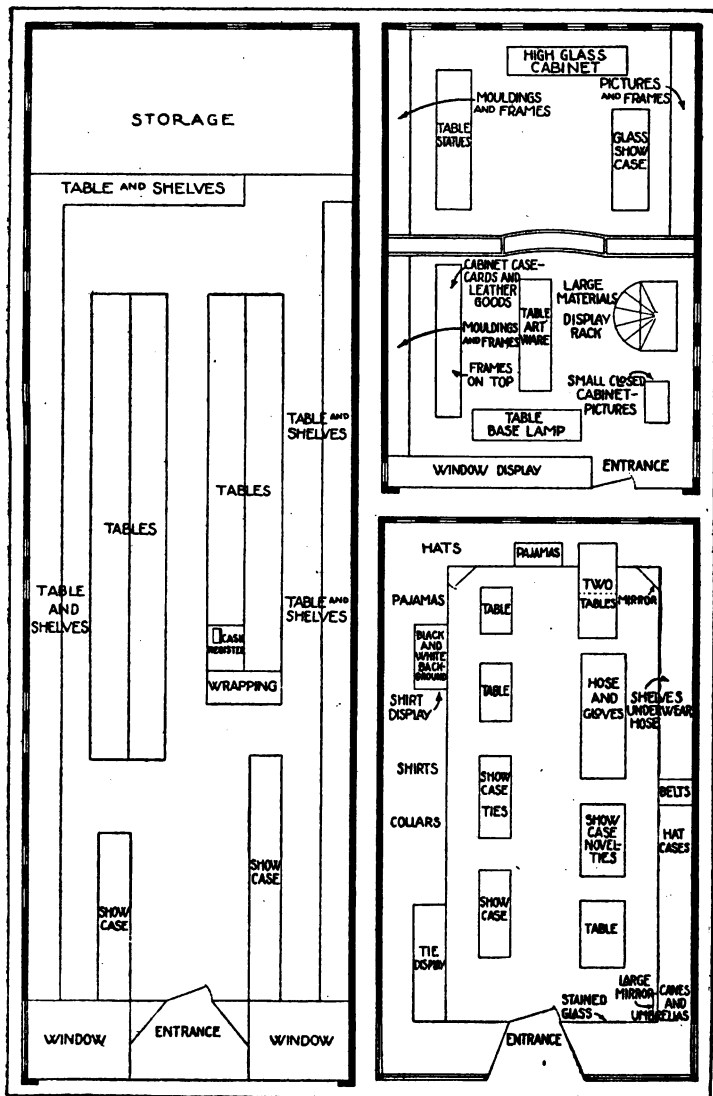


Figure 10: Here are the layouts of three wide-awake stores. Half way back, in the art store, is a low decorative railing which runs out from the side walls to the arch in the center. There is no partition—just a touch which gives the interior an appropriate personality.

From the samples, customers choose the goods they wish. The salesman writes the customer's name and his order on a sales slip of the usual type and gives a duplicate copy to the customer with a request to pay the cashier. The original is sent by means of a pneumatic tube to the basement stock room.

The customer, meanwhile, has paid his bill and received his change; and chairs are provided so he will not have to wait standing if there is any delay. A boy calls out the names of customers as their orders come up from the stock room, and delivers the packages into their hands, relieving the clerk from giving further attention after a sale is made.

"When I set out to create a personality for my store," says Leslie Wildey who owns a general store in Iowa, "I rearranged my stock completely as an initial move. I determined that if I were ever to get into my advertising, I must first make my merchandise look newswy and interesting. Canned corn, for example, was placed in a less conspicuous display space and canned peaches, on which I was a little 'long,' were pushed to the front. Carrying this idea through the entire stock, a pleasing and mighty profitable change was made in the general appearance of my store.

"Stock out of sight is not likely to be called for, while merchandise properly displayed will often remind a customer of a need, or will perhaps create a desire to purchase some one article which he had not thought of before coming to the store. As display space was limited in our store, I had several ordinary tables made. These tables were placed in the center of the aisles. They are 10 feet long and 3 feet wide and have a broad shelf which runs underneath.

"On some of these tables I display canned goods and dried fruits; on others, shoes, dress goods, linens, notions, and hardware. Every article is plainly marked with the selling price."

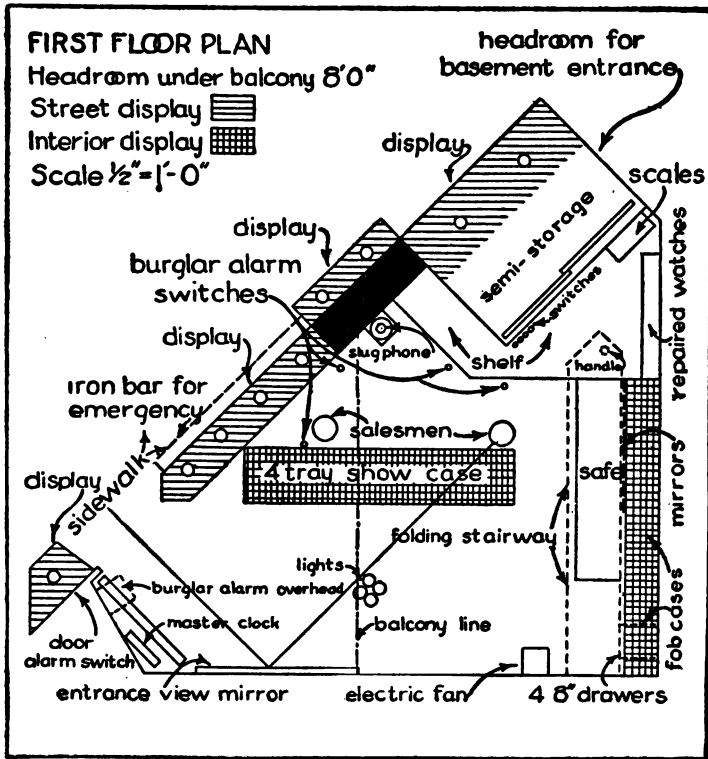


Figure 11: This is a floor plan of Mosk's jewelry store. There are less than 800 cubic feet of space in the whole store. Success in such small space suggests that a small store may well be a real advantage.

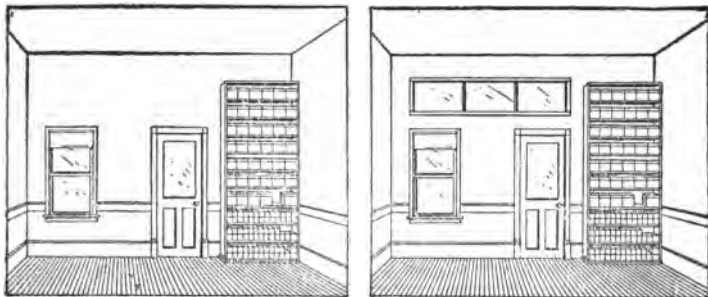


Figure 12: Here you see a diagram of the shoe merchant's window described on page 66. It helped him to reduce his light bill materially.

Let us go on to our third head—economizing on space without losing business. Making the most of space is not a necessity in small stores alone, yet the small-store merchant usually is under a sterner need of making every square inch serve its share.

There is hardly more than 60 square feet of floor space, and less than 800 cubic feet of space all told, in the tiny jewelry store of Nat Mosk, in a western city, yet three people besides himself are regularly employed in it. The diagram (Figure 11) shows how the store is laid out. It is in the shape of a triangle, with the diagonal facing the street, thus giving the greatest possible room for window display purposes. The side wall A is 16 feet long, and the rear wall B is less than 8 feet long.

In addition to the salesmen, two repairmen work in Mosk's shop. Space for them has been made on a balcony floor, which has a head room of only five feet. The part of this balcony that is not required for the benches of the repair men is used for storage.

A unique feature that enables Mosk to make the most of what space there is in this balcony is the utilization of a "panel" in the balcony floor, which in reality is a counterbalanced stepladder leading to the balcony. One finger can pull down this ladder, which is about 16 inches wide and 6 feet long. The low safe directly underneath forms the first step. Mosk got this idea from watching porters prepare upper berths in the Pullman.

"It is something of a problem to arrange a stock as generous and varied as ours in a room of moderate size and have it all in view," says Parks, who runs a prosperous drug store in a southwestern state. "Yet I think we have very nearly accomplished that end. Our policy has been to make the interior of our store as effective a place as possible in which to sell. We have succeeded to a large extent.

"At the sides of the room we use a standard system of shelving—sections of shelving about two feet wide project out a distance of about six feet from the walls at intervals, leaving six-foot alcoves between them. This gives a great deal of shelf room. At short intervals along the top of this shelving there are neat signs which not only indicate to the salesmen what goods are stored immediately below them, but serve as reminders to customers. Such legends as 'shaving brushes and mugs,' 'playing cards and drinking cups,' 'grease paints and dyes,' have, I believe, made many a profitable sale for us.

"In front of these shelves we have the showcases, which are glassed from the floor up and filled with goods. On top of the counters are stacks of soaps, toilet and miscellaneous articles. Several tables and display stands out on the floor hold other lines of goods. Even the tops of the tables at which we serve ices and soft drinks are pretty little glass cases, about three feet square and eight inches deep. These cases are floored with velvet, and displays of handsomely wrapped soaps, toilet articles or candies are tastefully arranged therein. Thus while a refreshment customer is eating an ice or sipping a drink, other goods are staring him or her in the face and advertising themselves forcefully and unmindfully."

THE PLANS GIVEN HERE ARE USED PROFITABLY
BY SEVERAL SUCCESSFUL MERCHANTS

Plans for saving time and effort—our fourth head—resemble closely those just described, for, as a rule any plan which economizes space, automatically reduces the time it takes clerks to get the necessary articles, and usually reduces the number of steps necessary to reach the different items.

In one retail meat market where a large percentage of sales are made by telephone, a number of features

have been worked out for saving minutes and steps—and space as well. The stock shelves are built to fit the goods they carry. Compartments of varying lengths and depths leave just the right amount of space for a case of goods, or any size of carton or can. Waste of shelf room is avoided. Below, the bins for bulk goods are all of heavy metal, with round corners and smooth, tight-fitting lids. Across the room the cold chambers for meats are arranged for the greatest convenience in storage and use.

A simple layout change which saved salesmen's steps also reduced materially an eastern merchant's salary expense item. He says:

"I found that in the clothing department the stock was so arranged that a man had to go away around the end of a long series of clothing tables to get to the other side of them. I cut aisles among the tables, increased the mobility of the clerks, and reduced the payroll. These aisles are my 'strategic railways' during a rush."

Our last subject has to do with plans for reducing light bills. Just how to trim this item down is perhaps one of the most perplexing problems most merchants have to solve. Many merchants do not attempt to save on light—they prefer using too much rather than too little, and there is little doubt that brightly lighted interiors, windows, and store fronts are an aid to sales. Yet no merchant will shut his eyes and ears to tested methods of cutting down bills for light without impairing the store's illumination.

As a considerable wall space over the back door of his store seemed to be going to waste, a Nebraska shoe merchant cut a window in it and not only saved on light but improved the appearance of his store. The diagram (page 63) shows the rear wall, before and after.

It would appear at first glance that the original window beside the door would let in sufficient light,

but the rear door opened into a small dark shed used for storing waste and odds and ends. This shed was necessary, but the merchant had its roof lowered to the top of the door which let in plenty of light through his new window. As the floor of the shed is a step or two below the store level, he still has plenty of head room in the shed, and frosted glass panes admit light without showing any of the ugly features of the shed or the space back of the store (Figure 12).

To sum up, no matter what item in your list of costs prompts you to study the inside of your store, analysis along the lines suggested in this chapter should suggest improvements. And remember, say merchants who have studied the question carefully, that no matter whether you wish most a saving in light and heat, salaries, or any other particular expense item, keep in mind that your store interior exerts a strong influence upon the customer's mind. When you make your store interior attractive you help boost the volume of sales.

CHAPTER VII

SERVICE THAT HOLDS CUSTOMERS

WHAT is retail service? To distinguish certain features of retailing from the rest, they are called "service"—delivery, charging goods, the returned goods privilege, and so on.

In another sense store service coincides with store policy; it is practically as broad as the whole problem of store management.

"Serving customers," said a wide-awake eastern retailer to his clerks, "covers a lot more ground than waiting on them quickly and politely, giving them what they ask for, and delivering their purchases promptly. Those are merely surface activities. Anybody can do them, and nearly everybody does do them about as well as anybody else.

"Service is a bigger function than that. It means helping your customers to buy rather than merely selling to them. You are expected to know more about merchandise than your customers do. You ought to know what the goods really are, what they are actually worth, what style your customer ought to have, and what a fair retail price is for the goods—a fair price to your customer as well as to yourself."

At this time, when thrift and conservation are our watchwords, retailers generally are not adding greatly to their service departments, but are eliminating as far as possible all service which is not essential. With the aid and cooperation of their customers, retailers have been able to release men and money from purely

service work. The War Industries Board, for instance, says, "It has just been reported to the conservation division of the War Industries Board that practically all of the retail stores of New York City have decided to comply with the request of the government for economies in delivery service. The request is that each store shall make only one delivery a day over each route, eliminate special deliveries, and refuse to accept the return of merchandise that has remained in the customers' possession more than three days.

"Other cities in which merchants have recently adopted the conservation program are St. Paul, Minneapolis, Detroit, Denver, Boston, Memphis, New Orleans, Montgomery, Baltimore, Newark, Los Angeles, Portland, and Oakland. These are in addition to those that have previously complied with the request made by the government in time of war for the general welfare of the country.

"The adoption of this program has made it possible to avoid replacing employees who have been drafted or have entered essential war work. The large stores of 30 cities have been able to operate with 35% less of a force, and the saving in automobile trucks has been 40%. This is according to the reports made by these stores to the War Industries Board. Limiting the return of merchandise to not more than three days has made an average reduction of 36% in the amount returned, because of greater forethought in the selecting and ordering of goods.

"In smaller stores one delivery a day has enabled one delivery man to do the work that formerly required two. In 30 small stores in several towns in one eastern state the number of delivery men employed has been reduced from 116 to 55, as their men have been called away for other service.

"The experience in these cities shows that there is no hardship to the public through these restrictions."

To simplify the discussion of service policies that are helping to hold trade for stores throughout the country it may be well to consider these policies under these two heads: (1) putting service details on a sound basis; and, (2) broad service policies that build trade.

Taking up the first of these heads, never losing a sale because he is "out of stock" on a certain article is a suburban druggist's policy, and his service plan seems adaptable to any line of business. He says:

"I keep two want books. One of them is the usual type from which I order my goods. The other is taken to the nearby big-city wholesalers by myself or by one of my clerks on each trip that anyone makes. All 'wants' of customers which we could not fill at the time are listed in it.

"For instance, Mrs. MacArthur, perhaps, calls for a certain brand of soap. I do not have it. Instead of expressing my regret and letting it go at that, I say, 'I'm sorry, but I do not have that brand. But I'll have it delivered to your house this very afternoon, though. Count on me.'

"Although the transaction yields no profit, I obtain the soap on my trip downtown and have my boy deliver it to the customer. She appreciates this service, and so do hundreds of other customers, who give me all their trade."

Never saying, "Sorry, but we're all out of that," or, "We don't carry that," also is a fixed rule in the store of Fred Ruhling, a middle-western hardware dealer. It makes no difference how far from his line the needed article may be, Ruhling "has" everything asked for. If a housewife orders a scrub pail and brush, Ruhling sells her soap to go with them, buys a case of soap to cover her order, and disposes of the balance of the case as he can. This policy frequently calls for rapid sales work, but Ruhling realizes that a service slip would be costly, and insists upon every helper in his store doing

exactly the same. This policy builds confidence, he says, and confidence is the corner stone of his business.

A "hurry desk" secures a great many orders that might otherwise be lost to an eastern grocery. A desk just the right height for customers to stand and write comfortably is provided. A pad of paper is fastened firmly to the desk, and at the top of each sheet is printed:

Name..... Address.....
Send (charge or c. o. d.).....

A printed card over the desk reads: "If you are in a hurry, write out your order and drop it in this box." A pencil attached with a stout cord dangles near at hand.

"Most customers," says one western grocer, "like to select their own vegetables. Many times they are inclined to feel, when orders are picked out by the store people, that they have been discriminated against—that they did not receive the very best goods on hand.

"We get around this difficulty by using numbered baskets. When a customer tells a salesman that she wants some vegetables he takes one of these baskets and writes on the order blank the basket number—L24, for example. Then the salesman picks out the vegetables under the customer's direction and places them in the basket. Each item chosen in this way is indicated by a circle in the 'quantity' column on the order slip. If a customer takes the vegetables with her a cross is placed in this column. This plan generally is a clincher and establishes the customer's confidence."

Just how a store handles complaints, may, of course, have considerable effect one way or the other on the confidence buyers place in it. The doctrine that "the customer is always right" has proved a business-getter for other retailers beside the famous one who coined the phrase, and a feeling on the part of any retailer

that his responsibility ceases as soon as he has his customer's money has, on the other hand, put many a business in bad repute.

Complaints are bound to occur, says a western department-store owner, but there is no reason in his opinion why they cannot often be turned to good account. He has devised a plan, therefore, which almost invariably turns the complaining customer into an enthusiastic rooter for his store.

A small red sticker on a package notifies every employee in the establishment that he must follow the instructions on that sticker or be called to account. The instructions read:

"This parcel must go without stopping. Pass it on to delivery department instantly. Floor managers, inspectors, and credit department must interest themselves in this instance."

**THESE METHODS MAY HELP YOU SOLVE SOME OF
YOUR DELIVERY PROBLEMS**

The sticker service gets results in the store, but what is more to the point, the instructions on it usually create such a good impression on the customer when the goods are delivered that further resentment is almost impossible.

No other item of service expense, however, has caused so much thought, probably, as has delivery.

"To improve our delivery service," says one merchant, "we set aside \$1 a week for each delivery man in addition to his regular salary. If no just errors or complaints come in, the money is divided equally among the men, but if one man makes a mistake it affects the bonus money of all. In other words, a man gets \$1 a week in addition to his pay only when all the delivery men execute their duties correctly and without complaint. Demerit penalties are left to the superintendent. One week intervenes between the earning

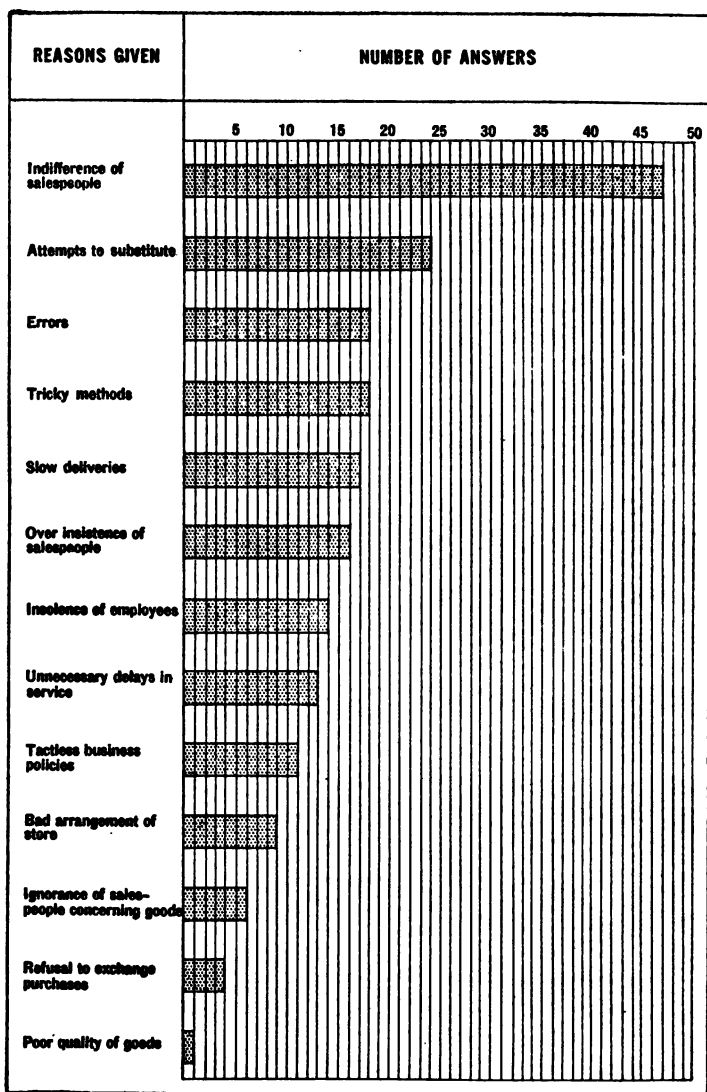


Figure 13: Investigation among 100 business men brought out 194 reasons why they stopped trading at certain stores. This tabulation of answers may suggest danger points which need careful watching. It's a warning to keep your store service brightly polished.

of this prize money and its payment, to leave time for late complaints to come in.

"Our complaints have decreased 65%. One of the plan's best features is that the delivery men watch and help each other. They know they will not get all of the \$1 if any mistakes are made. Their prize money may be cut down to 75 cents or 50 cents, depending upon the number and seriousness of the errors."

Charging extra for deliveries is a method which is growing in popularity, investigation indicates. With living expenses going steadily up, customers display a growing willingness to save all they can in buying goods. This plan cuts down deliveries.

"We charge 10 cents for delivering merchandise which weighs 60 pounds or less, to any point within a certain zone," says a dry goods merchant. "It makes no difference how many purchases the customer makes—she can have her packages delivered for 10 cents if they do not weigh more than 60 pounds.

"For packages which weigh from 60 to 120 pounds we charge 20 cents within this same zone. We also charge 20 cents for packages of 60 pounds or less, delivered outside of the set zone.

"Our customers are rapidly taking to the plan because apparently many of them feel that the principle involved is right. Those who carry packages from our store save the delivery charge. Those who have their purchases delivered pay a nominal fee for the convenience of the service."

When an investigation of his delivery service showed an Ohio grocer that over 80% of all his deliveries were of purchases amounting to less than \$1, and that each delivery costs almost 10 cents, he decided to change his service policy on this point. One woman, he learned, had a standing order for 5 cents' worth of rolls to be delivered every day, and, as far as could be found out, that was all she ever purchased.

“Charging 10 cents for all deliveries on orders under \$2 seemed the only solution to this problem,” says the grocer. “We decided to try the plan and made the following announcement:

NOTICE TO CUSTOMERS

In view of the high cost of foodstuffs, which is a serious question in every household, and in an effort to keep the prices down to the lowest possible level, and still maintain high quality in our pure food and meat market, we have planned to lessen the cost of our delivery in this section.

Beginning Saturday all orders for \$2 and over will be delivered as usual, while a nominal charge will be made for the delivery of all purchases under this amount. You can see how, by this plan, we can keep our prices down to rock-bottom figures, and still offer the highest quality merchandise.

“The volume of sales was carefully watched. At first there were complaints and a falling off in sales, but our prices were low and our service quick, and the result was that our sales increased a little later. We found that many customers who complained at first now are ordering their groceries in amounts over \$2.

THE RETAILERS WHO USE THESE PLANS SAY IT PAID TO MAKE THE CHANGE

“During the last month before restrictions were placed upon the delivery of orders, the average number of orders delivered daily was 514. In the first month after we had adopted the new policy, the daily average number of packages was reduced to 138, or a reduction of approximately 73%. Three delivery equipments were taken out of service by this reduction. Prior to the change the average amount of each order delivered was under \$1. After the new plan went into effect the average sale delivered increased to more than \$2. ‘Take with’ sales have increased about 50%. Although this radical change in policy has cost us a few customers, we have increased sales.”

Variations of this plan are not uncommon, and they are nearly always successful, investigation reveals. One grocer adds 1% of each charge order to cover bookkeeping cost and charges 5 cents for each delivery, regardless of size. As his prices are considerably reduced under the new plan the opportunity is given to customers to save appreciable amounts. Under this plan sales have increased, and the number of deliveries has been greatly reduced, as has the volume of credit business. One of the circulars with which he notified customers of his new prices follows:

ON SAVING MONEY

There are so many good causes in which to spend our pennies, dimes and dollars, that it is up to every one of us to save all we can. Liberty bonds, the Red Cross, funds for the Y. M. C. A., camp recreation, and so on (and there are no better places to put our money) demand that we save as much as we possibly can.

Also we must conserve in other ways. Businesses must save, as well as individuals. We grocers—if we are to help conserve food for our soldiers and allies, and if we are to carry out the sound advice of the National Council of Defense—must eliminate as far as possible every penny of expense which is not absolutely necessary.

To help as best we can in carrying out these various conservation policies we have decided on a new plan of doing business which we feel sure will appeal to your good judgment. There will be no change in the high class of food products which has helped us build our reputation and our business; and there will be no change in our determination to try always to give you the best service it is possible for a grocery store to give. The change will be a lowering of our prices—a blanket reduction of from 10% to 20% of our present prices—and a cutting down of our cost of doing business which will make our lower prices possible.

Beginning Monday, January 7, new cash-and-carry prices will go into effect. Every item in our stock will be marked with a plainly printed price card. These prices will apply when goods are paid for and carried away.

Our delivery and credit systems will be continued, but charges will be made for these services. A flat rate of 5 cents will be charged for every delivery, no matter what the amount.

For goods purchased on credit a charge will be made of 1 cent for each dollar or fraction of a dollar on each individual ticket.

Here are some sample orders which show what savings will be possible with this new scale of prices:

	Old Prices	New Prices Cash and Carry
4 bars soap.....	\$0.20	\$0.16
1 pound coffee.....	.35	.32
1 pound rice.....	.10	.08
5 pounds sugar.....	.40	.35
1 pound sirloin steak.....	.32	.28
Total.....	\$1.37	\$1.19
Add 2 cents if charged.....		.02
		<u>\$1.21</u>
Cash-and-carry prices.....		\$1.19
Add 5 cents if paid for but delivered.....		.05
		<u>\$1.24</u>
Cash-and-carry prices.....		\$1.19
Add 2 cents if charged and.....		.02
Add 5 cents if delivered.....		.05
		<u>\$1.26</u>

You will see from these prices that you can save money because of our new prices, even though you have goods charged and delivered. We believe enough of our customers will take advantage of the extra-savings opportunity to reduce our expenses so that our profits will be protected.

We will be glad to hear your comments on this plan at any time, and as before we are always anxious to make right that which you have considered wrong.

Yours respectfully,

FARRELL AND GREEN

Another way in which delivery expense has been reduced is by cooperative delivery—substantial savings mark its success in several cities and towns where it has been tried.

Not long ago the owners of three general stores and two grocery stores in a Wisconsin town formed a merchant's delivery association and agreed as follows:

1. That two men should handle the deliveries of the five stores in the association.
2. That each driver should be bonded for the sum of \$1,000.
3. That safe delivery of all packages should be guaranteed.
4. That under no circumstances should the names of any of the customers of one store be given to any other member.
5. That good and prompt service should be guaranteed and that no partiality should be shown to any of the five stores.
6. That two deliveries a day should be made, one at 9 a. m. and one at 2 p. m.
7. That two delivery men should receive \$2,500 a year for performing this delivery service, they, of course, to take care of their own expenses; this sum to be proportioned according to the size of each store.

In order to prepare customers for the change, announcement of the new delivery plan was made in the local papers several weeks in advance, so that there would be as little trouble as possible in getting started on the new proposition. There was but little objection to the new delivery system, and today all customers are entirely satisfied.

PERHAPS THESE IDEAS ON SERVICE WILL BUILD TRADE
FOR YOUR STORE, TOO

Each morning the delivery trucks stop at the stores. So that no one of the stores may suffer in filling its orders promptly for the first delivery, turns are taken in loading the packages on the trucks. For instance, one morning the deliveries are started from one store, the next morning from another, and so on.

The delivery men have been instructed always to be courteous to the customers, and to refrain from arguing over any trouble that may come up. Sometimes packages may be missing, or an article may be delivered to the wrong customer. When trouble of this kind arises a special delivery boy is sent out on the jump to correct the error.

In order to facilitate deliveries each of the five stores has four separate delivery books in which all of the grocery orders for each day are entered. Two books are filled out in the morning, one for the east side deliveries, and one for the west. These books are given to the delivery men and they check up the orders with the entries in the books.

While these books are out with the trucks on the morning deliveries, two other books are used in the stores to enter all of the orders for afternoon delivery, in time for a prompt start.

It was agreed at the outset exactly what proportion each store should pay of the \$2,500 charge for handling the deliveries. This agreement proved satisfactory. This careful primary apportionment of the cost is considered one of the chief features of the success of the plan. There is no intricate bookkeeping or any bothersome detail about the plan. Each merchant knows what he must pay for his delivery service and that ends all checking or figuring on expense. The saving, which amounts to over \$2,000 in the aggregate, is worth while for each individual concern, inasmuch as it runs on an average of about \$400 for each.

The second subject under which we have classified service methods and policies—broad policies that build trade—is more intangible, yet many retailers agree that it is of the utmost importance.

“Our service not only means to be prompt and never to refuse any order,” says a wide-awake florist, “but it also means to be careful with the filling of the orders, in selecting the stock, in packing it, and in protecting the flowers after they are in the customer’s hands. We can do that only by educating our customers in the best ways to treat plants or flowers—how to take care of them properly so as to get the longest possible life out of them. Along this line we begrudge no expense or time to our customers.”

Merchants in several lines whose businesses are growing steadily offer testimony that service like the florist describes never fails to draw and hold trade of the most desirable sort.

"Our town is not large enough to furnish us with all the trade we need, so we naturally look to the rural districts," says a southwestern general store proprietor who ranks as one of the most conspicuously successful crossroads merchants. "We have, however, been able to secure the trade of the farmers in our locality by cooperating with them. We have increased their buying power by increasing their productive power on the farm. We encourage them to study new farming methods and to raise the crops best adapted to their land.

"We have the agency for a certain seed. We secured a lecturer who presented stereopticon views in one of the local moving-picture houses. We issued tickets, selling them at 25 cents. To all who were interested enough to clip a coupon which appeared with our advertisement, however, we gave a free ticket. In spite of a rainy, disagreeable night, we had a packed house."

"There are two things a customer spends money for—goods and service," sums up a clothing dealer. "I believe thoroughly in the 'do as you would be done by' policy in business, and I try to keep it in operation in my store. You find substantially the same goods for sale in one store as in another, and it is better service, therefore, that in the long run attracts and holds customers, and thus wins out for the merchant."

PART II

PLUGGING LEAKS IN OVER- HEAD EXPENSE



CHAPTER VIII

PICKING THE RIGHT LOCATION FOR YOUR STORE

IS my rent bill in proper proportion to my other expenses, my profits, my rate of turnover, and the advantages offered by my location? From the thoughtful retailer's point of view, there is scarcely a more vital question, and close study of it will undoubtedly lead him to analyze the advantages or disadvantages of his location.

The importance of location is evident when it is remembered that in practically all growing communities the general scale of rentals for business locations is rapidly advancing. The decided upward movement in store and office rentals in Canada since 1900 is shown in Figure 14 and this tendency has manifested itself just as strongly in most cities in the United States. In the light of such conditions every man who pays rent for business quarters should give the rent item proper consideration.

Is my location logical when I consider the class of trade to which my stocks appeal? Ought I to pay less rent or more? Would a higher-priced location bring a sufficient increase in sales to offset the higher rental? These problems are worthy of careful study.

Investigation into rent-saving policies of a large number of small-store merchants has brought to light tested plans and methods to get the most out of the rent bill, which may be conveniently discussed under these two principal heads: (1) making your location pay; and, (2) where shall I locate?

First, then, let us look into rent-reducing plans and policies used by merchants who recognize certain drawbacks of their locations, but who prefer to stay where they are.

The very fact that his store is scarcely bigger than a hall bedroom has compelled one Michigan jeweler to pay special attention to getting the utmost from its space. He chose the store he occupies because when he rented it he could not afford a more expensive one. Now he does not want a more pretentious location though he can well afford one.

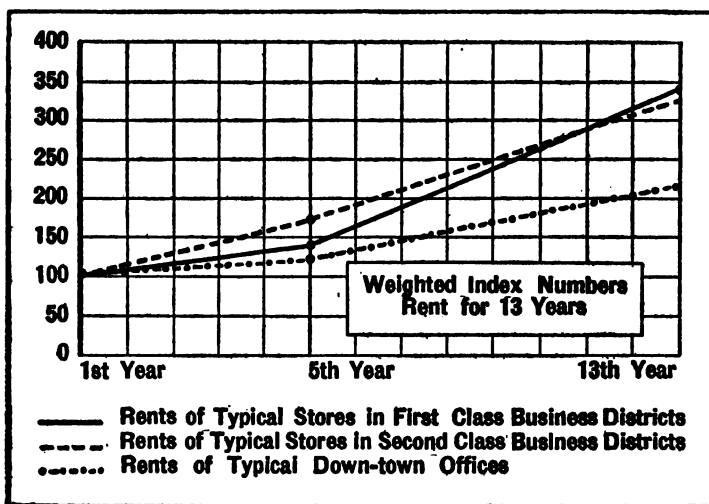


Figure 14: How rents are going up is shown in this chart, based on studies over 13 years, of the same properties in 48 localities having a population of 10,000 or more.

Instead of considering himself hopelessly out of the running against competitors with more money and better locations, he saw how he might make advertising capital of his side-street location. He had one distinct advantage in the small rent he paid—\$15 a month; this made his expenses unusually low. But, in order

to realize on this advantage, he saw that he would have to convince prospects that his expenses were really low, and that in consequence he could give exceptionally favorable prices. And he saw also that he would have to make them realize that his values were always good, and the service supplied by his store unusual.

So convincing has he been in his advertising that sales today run over \$150 a month for each square foot of floor space, and his rent item is but 0.12%.

Nat Mosk, of the Pacific Coast, also a jeweler, is another specialist in getting the most out of space. He has a store even smaller than the Michigan jeweler's; but he pays ten times as much rent as the other, and still makes money. He also is a believer in making each square inch of floor space show a good profit. A diagram of his store is shown in Figure 11.

Mosk deliberately chose the unfavorable circumstance of small space, because he wanted to bring his goods direct to the people who could buy them. He estimates that 200,000 people daily pass the corner near which his store stands. Four streets meet there, and on three of the corners are the mechanical baseball scoreboards of as many daily papers. A fountain is in the center of the space where three streets converge. Mosk realized that the closer he could get his goods to thousands of possible buyers for their casual inspection, the more sales he could make.

Situated on the fringe of the downtown business district and near enough to department stores to be in close competition with them, a grocer in an eastern city of 300,000 solved his "percentage of rent to sales" problem by telephone and increased his trade radius several miles. He was pretty well in control of his immediate neighborhood, but residents out beyond him were going by his store to do their shopping.

"Four miles east of me is a residence suburb, most of the people in which formerly bought downtown,"

he says in describing how he did it. "I began to advertise to these suburbanites that the easiest way to buy groceries was from my store by telephone.

"My store now is open Friday evening for telephone orders only. With the store's daily advertisement in front of them, housewives can order whatever they want for the week end. Two salesmen are on duty at the store from 7 until 9 o'clock. They not only take orders, but they sell to customers as well, by suggesting this or that as a part of the Sunday dinner.

HERE ARE WAYS WHICH HAVE HELPED OTHERS
FIND THEIR LOCATION

"On the first Friday night they took 50 orders, totaling about \$250. The following Friday the sales were about doubled, and from then on new customers have been added each week.

"I promise delivery before 9 o'clock Saturday morning. The telephone orders are put up by the two salesmen. Most of the goods bought are sent out C. O. D., although many of these customers now have charge accounts. Hardly any of them would have become customers of the store except for the installation of the new service plan."

Often, as towns grow, trading centers change, and a location once desirable becomes out of the way and commercially poor. That is exactly what happened to one western shoe dealer. Expansion of the city changed his one-time choice location into an out-of-the-way corner.

↓ He decided to move, but found every available corner occupied. He took a smaller store next a corner, and before long was able to rent the space on the other side of the corner store, facing on the other street. A dicker with his landlord ended by the owner connecting the two stores, giving the shoe dealer most of the advantages of a corner location, more space, and a

CHOOSING THE LOCATION 87

lower rental per square foot than that paid by the owner of the corner store.

A furniture dealer in another city, caught in the same way, rented a new store in the middle of a good block—when he could not get a corner location. A plate glass front replaced the ordinary show window—the merchant signed the lease only on condition that the landlord make alterations to suit him—and an attractive canopy now extends almost to the curb line. To pass this store now is to remember it distinctly.

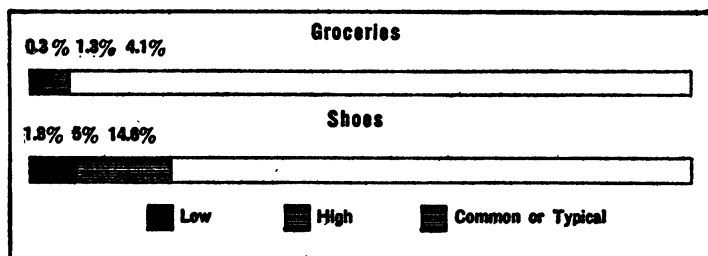


Figure 15: This chart shows the ratio between rent and net sales in grocery and shoe stores—including low, medium and high rent stores. It is well worth your close study.

Moving may easily bring about a loss of business, even though only temporary, unless active measures are used to accustom steady customers to trading at the new location. A dry goods merchant recognized the chance of a possible falling off in sales, and resorted to the simple expedient of a blanket reduction in prices as soon as he opened his new store.

He made capital of moving by displaying this large placard: "To repay our customers for the slight inconvenience of looking us up at our new location, we will make a sweeping reduction of 10% on all merchandise for the first 15 days in our new quarters." Below the sign he displayed a chart showing a dotted line from his old to his new location.

WHICH FLOOR IS WORTH MOST?

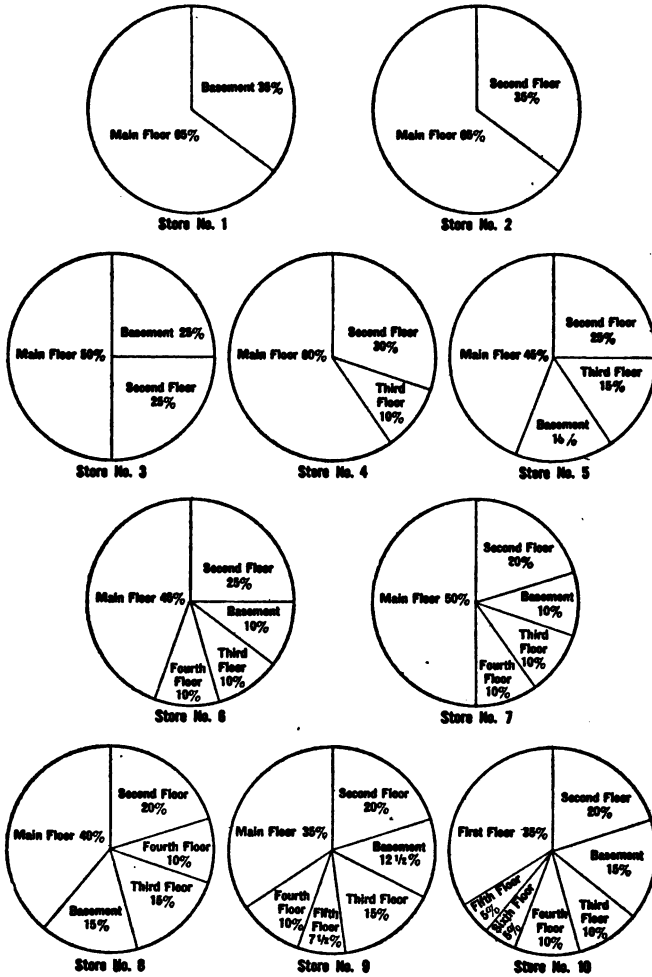


Figure 16: This chart shows how 10 stores, which run from two to seven floors, apportion their rent. Note how large a share is charged in each store to the main floor, and how relatively low the charges are for upper floors and basements in most instances.

This plan helped him to hold a large proportion of his old customers and directed a considerable number of new ones to the store, which helped to make up for the loss on his discounts.

Now let us take up the second of our two subjects—where shall I locate? Investigation indicates that many retailers underestimate the importance of careful study of the rent factor. Many retailers give no consideration at all to the economic factors determining rentals, it was found, and some who own their property pay themselves no rent.

More definite education in store management and a growing recognition of the vital necessity for careful watch on the costs of doing business, are waking retailers up to the closeness of the race between costs and profits. Many are beginning to question where before they took for granted. Therefore, instead of merely selecting suitable quarters and blindly paying the rent asked, retailers are analyzing, inquiring, and experimenting with different kinds of locations, before finally deciding upon one.

There is an apparent tendency, particularly evident in some centers, for retailers to move their stock to "upstairs stores."

An investigation was made recently of the stores in four city office buildings to determine the classes of business which are at present using these "upstairs shops" most profitably.

Of the total number of shops, 208 or 87% are devoted to the sale of articles of personal wear—hair goods and jewelry included; 26, or 11% are devoted to the sale of articles for the home; and the remainder are shops selling athletic goods, cigars, patterns, and buttons.

Eight years ago two young men in Chicago rented a small room on an upper floor of a big building. The annual rental was \$240. They installed inexpensive

fixtures and filled the shelves with a line of women's shoes which in those days they could sell at \$2.50 a pair—not job lots, or samples, but stock that readily retailed in first-floor stores at prices 20% higher.

These men did not have capital for much advertising, but their windows faced the wide hallway in front of the elevators, so many office employees and visitors could see their displays. Business came slowly at first, but satisfied customers told their friends, and sales soon began to multiply.

Today these men rent and use 4,036 square feet on the same upper floor. They also rent 791 square feet on the first floor with 20 feet frontage. They pay \$1.47 a square foot for the upper floor space and \$4.55 a square foot for the first floor space. The percentage of rate of increase of annual sales in the upstairs store has been more than double the percentage of rental increase for floor space. Here was an example of picking a cheap location first, and taking more expensive quarters when business justified the step.

**IT PAYS TO KNOW ALL THE FACTS BEFORE MOVING.
SAY THESE TWO MERCHANTS**

Occasionally a retailer does not figure on his class of trade when picking a location, even though he gages other factors accurately. This was exactly the mistake made by an Indiana clothing dealer. He had prospered in one location and when he rented commodious quarters in a handsome new bank building he had confidence that his trade would follow him to his new store.

Sales increased somewhat, to be sure, but not enough to keep step with increased overhead. His larger rent bills and interest on a generous investment in fixtures ate up all his profits, and more, too.

His distress signals to his creditors brought one wholesaler to the rescue. The wholesaler looked the

situation over. Then he went out and found a smaller store for half the rent the dealer was paying; he sold the leasehold of the bank-building store to a 5- and 10-cent concern for a price which paid the rent in arrears, the moving expenses, and still left a small balance. He got the dealer moved into his less pretentious quarters in a remarkably short time. These rapid moves saved the retailer's business.

When overhead expense—principally rent—threatened to bankrupt him, a delicatessen dealer caught himself in time. High-class service had built his business to a point where he was operating four stores. Apparently he was unusually successful, but he was wise enough to keep closely in touch with the facts about his costs and profits, and he saw the danger signal. To make money he saw he must make a maximum of sales to customers who came into his store.

As soon as he saw where he was heading the retailer wasted no time. He vacated three of his four stores, much to the amazement of his competitors. That he was wise in acting promptly was shown by the good prices he obtained for his leases.

The store he kept had advantages for the business he wanted to carry on—a central corner location on the most traveled street in a good section. Its depth so shallow that instead of being a store, his place is, in effect, one big display window, 48 feet long by 13 feet deep. Here he is making money—plenty of it—because he is drawing trade to his store, and making sales of two, three, four, and as high as a dozen items per sale where before he sold but one item.

Another incident which also emphasizes the need of thorough analysis and knowledge of facts before actually moving in, is the experience of one clothing merchant. He secured a large increase in sales by moving from a small first floor room in a poor location to a spacious "upstairs store."

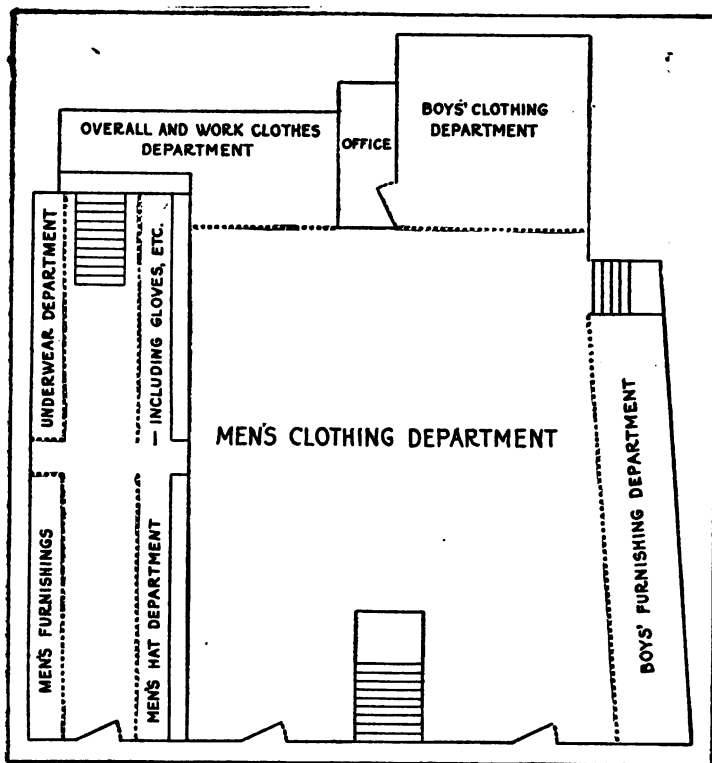


Figure 17: Here is the first floor plan of one merchant's old store. Before moving he was convinced that he was using space to the best possible advantage. But compare this plan with the one in Figure 18.

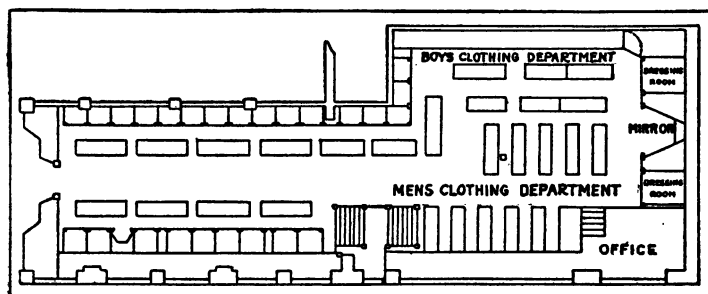


Figure 18: This is the first floor plan in the new store (see Figure 17). Space was reduced by more than half and profits rose.

In his old location this merchant did an annual business of \$50,000, but he could not get beyond that mark. Unable to find a desirable store centrally located, he finally decided to take a second floor located in the heart of the retail district. This was secured for a yearly rental of \$2,700, heat included.

The owner of the building agreed to make the necessary alterations. He widened the stairway to 12 feet, and placed a landing and turn about 10 feet above the sidewalk level, so that the display cases there could be seen from the street. On each side of the doorway on the street he also built in a large plate glass showcase 7 feet high. Bronze handrails and bronze electric light fixtures were installed at the entrance and on the landing.

One side of the store was fitted with plate glass windows from floor to ceiling. They opened out on a large courtyard, which gave the entire room plenty of light.

The first year the merchant sold \$58,000 worth of clothing—\$8,000 more than in his former location, while his net profit was 2% greater. In the third year sales went up to \$110,000 (Figure 17 and 18).

So much for the question of location and rent. Like every other item in the cost of doing business, rent calls for close study and analysis of the factors which control it. Every retailer well can afford to give the same careful consideration to his rent problem that he does to his buying or selling activities. The essential point is to see that the advantages of site and location, and of convenience to any particular group of customers, are in fair ratio to the rental paid for the conduct of a particular business. The rent problem is frequently complex and the factors involved in it are numerous. But proper understanding of it may mean the difference between failure and success.

CHAPTER IX

HOLDING DOWN BAD-DEBT LOSSES

HOW much credit can I afford to give my customers? This is a question in which every retailer is vitally interested. Bad debt costs assume dangerous proportions each year. The extending of credit has become a common practice, but last year one business failed every 24 hours, and many of these as a result of a loose credit policy.

Credit business cuts a big figure in almost every retail line; investigation shows that it usually runs from 65% to 85% of the net sales. Out of this percentage only 60% to 80% on an average, are good.

Although doing business on a cash basis is becoming more popular every day, many retailers have found that they are forced to give credit or lose trade. And whenever credit is extended, some bad debt losses are bound to come. The capital of each individual business of course determines how much the merchant can invest in credit, but on the average it was found that the maintenance of the necessary credit machinery costs from 0.4% to 0.6% of the charge sales.

Since some bad debt losses apparently are inevitable, the solution of the problem, of course, lies in reducing them to a minimum. To this end credit figures from 991 retail stores have been analyzed for this book. Any abnormally high or low figures were disregarded, and the following percentages offer a rough check for credits in various retail lines. All percentages are based on total net sales:

Furniture.....	1.94%	Jewelry.....	0.21%
Groceries.....	0.47%	Dry goods.....	0.21%
Clothing.....	0.34%	Department stores.....	0.19%
Vehicles and implements.....	0.33%	Drugs.....	0.19%
Hardware.....	0.31%	Shoes.....	0.10%

Now that we have seen how serious a problem bad debts are, and how heavily the retailer is burdened by the cost of customers who are better buyers than payers, let us examine the methods progressive retailers use to check the evil.

"Our bad debt losses are slight," says one retailer, "because our credit system is very satisfactory. We do not extend credit at all until we have satisfied ourselves that the applicant is worthy of it. When a customer asks for credit, he must come to our office and fill out an application (Figure 19). This tells the facts we need to know, including where we can look up the applicant's standing. Such is the accuracy of our appraisal, and so smoothly does our credit system work, that we rarely find it necessary to send out a collector for our accounts.

"If an applicant for credit is deemed satisfactory, he can have a week's credit, but that means cash every Monday, without fail. A man of unusually high standing can get on our 30-day credit list, but we try to keep to the 'cash-every-Monday' rule as far as possible, for most of our purchases are made on so close a margin that we must take the 10-day discounts in order to hold the profit margin up."

The owner of a small but progressive dry goods store in the South says he has reduced his bad debt expense to practically nothing by following a clean-cut credit policy. He never opens a new account without explaining the terms of his credit policy thoroughly to the customer. He is careful, too, to show the customer that credit is a convenience and not a medium for extravagant buying.

Another merchant has what he calls a "tab book"—a list of all overdue accounts. When the monthly statements are made out they are given first to a clerk, who lists all accounts running over 30 days on the "tab book" and investigates them immediately. As a result his bad debt costs have been reduced to one tenth of 1% of his net sales.

Local credit associations and bureaus have been organized in many towns, and have been unusually successful in reducing bad debt costs.

**HERE IS A PLAN WHICH REDUCED BAD DEBTS 50%
WITHOUT OFFENDING BUYERS**

This interchange of credit experience has been especially successful in one township in a western state, and saves the merchants there many hundreds of dollars annually. Today, credits there are established on a sound basis; and collections, on the average, are 50% better than they were two years ago. This desirable condition is entirely due to the effective organization of business men in the township.

Two years ago, before this organization was created, merchants of the half dozen towns in this vicinity used the same methods in extending credits that prevail in the majority of small towns. Each dealer traveled his own way and knew nothing about the experiences of his competitors. When Mrs. Brent-Lane, for example, requested the privilege of a charge account, the dealer had, besides her word that she would pay, only the references that she cared to give; and he relied on his own judgment as to her ability and willingness to meet her obligations. If she failed to pay, she soon transferred her trade to a competitor; and the original dealer felt a certain pleasure, greater or less according to his temperament, in watching her "sting" his rival. The two dealers failed to recognize in her a common enemy.

	Date _____ 191__
Name _____	
Address _____	
Business Address _____	
Own Property _____	
Bank _____	
Other Accounts _____	
References (give three) _____	

Figure 19: One get-ahead merchant requires each customer asking for credit, first to fill out an application blank like the one above. Then reference to a cooperative credit bureau quickly tells him what to do.

CREDIT BUREAU RATING BLANK			
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Member's Number <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="border: 1px solid black; padding: 2px;">Known Only to Secretary's Office</div> <div style="font-size: 2em; font-weight: bold;">40</div> </div> </div>		<div style="border: 1px solid black; padding: 5px; text-align: center;"> Member of Retail Credit Bureau </div>	
<p>Remember it is your actual experience in dealing with a customer that is valuable, and is the real basis for the ratings that you give him. Prejudices, likes and dislikes should not enter into the ratings at all. Facts wanted, nothing else. In all cases of very slow and delinquent debtors show the amount owed</p>		<p>and how long past due. All information is kept strictly confidential. As far as possible fill in the blanks on each debtor. Do not omit any names. If in doubt in regard to meaning of terms or ratings telephone the Secretary's office for explanation before filling out any of the blanks.</p>	
<p>Full Name <u>Ralph P. Randall</u> City <u>_____</u> State <u>_____</u> Street <u>134 Lane</u> R. F. D. <u>_____</u> Occupation and Employer <u>Machinist at Plant</u> Past Due Account (Amount <u>20.37</u> Personal <u>25.00</u> How Old <u>40</u> Worth <u>Real Estate</u> <u>120</u>) How Long in the City <u>3 yrs</u> Married <u>yes</u> No. in Family <u>3</u> Age <u>35</u> Reputation <u>Good</u> Rating <u>2</u> Limit of Credit <u>_____</u> Monthly Income <u>70</u> Number <u>120</u> Remarks <u>Pays to pay</u> Date <u>June 15, 1917</u></p>		<p>Full Name <u>Arthur J. Hensell</u> City <u>_____</u> State <u>_____</u> Street <u>4457 Grand</u> R. F. D. <u>_____</u> Occupation and Employer <u>Clark Coat Clothing Co.</u> Past Due Account (Amount <u>_____</u> Personal <u>3.95</u> How Old <u>_____</u> Worth <u>Real Estate</u> <u>200</u>) How Long in the City <u>3 yrs</u> Married <u>yes</u> No. in Family <u>4</u> Age <u>33</u> Reputation <u>Good</u> Rating <u>2</u> Limit of Credit <u>75</u> Monthly Income <u>60</u> Number <u>120</u> Remarks <u>_____</u> Date <u>June 15, 1917</u></p>	

Figure 20: By cooperating, the credit record of every customer is known to the merchants of one western town. They have raised the standard of collections 50% Here is a record card.

Recognition of this very fact, however, is the condition that is today bringing into being more and more organizations like this commercial association. The war against the "dead beat" cannot be waged successfully alone. The man who does not pay his debts relies, in fact, on lack of organization among merchants to attain his ends. Competition of the sort that aims at a rival's throat is what permits him to prey on one and then on another, going the rounds of all of them. He dreads, above all, having his name listed "black" on an index that can be freely consulted by all the merchants he wishes to obtain credit from. His past record there stands plainly revealed, and the dealer who still grants him a credit privilege does so with all danger signals up, and at the merchant's own risk.

The first problem faced by the organizers was to establish ratings for the credit buyers of the community. Each merchant went through his books and listed his credit customers. Then he placed a checkmark beside each name, showing his experience with that customer. There were five classes: "prompt," "good," "fair," "slow," and "very poor," which were designated in the lists respectively by the numbers 1, 2, 3, 4, and 5.

Each merchant sent in his list with these private ratings to the secretary of the association. The lists were not signed so there was no danger that facts which merchants might wish to keep secret would be divulged to their competitors.

In the association, the secretary is the working center. He receives the credit information gathered from the various merchants (Figure 20) and holds himself ready to furnish any part of the information to any member, whenever it is wanted. The card on which the secretary sums up his information is shown in Figure 21. At the top the buyer's name and address are written in. Below is space in which to tabulate the records taken

from members' reports for a period of eight years. The space devoted to each year is subdivided into two columns, captioned with the figures 1 and 2. In the first column is placed the information secured in the revision that takes place at the beginning of each year; and data from the second revision of the year goes in the other column. On the reverse of the card, space is left for additional information, such as the buyer's salary, value of his homestead, and any incumbrance there is on it.

CASH OR CREDIT? HERE ARE SIMPLE AND TESTED
PLANS FOR BOTH POLICIES

Many merchants who have conducted a credit business in the past have changed their store policies and are now running on a cash basis. This is especially true in some towns where mail-order competition is keen. Merchants who extended credit often cannot compete with the low prices offered by the catalog houses. One merchant decided that by eliminating credit he would be able to get cash discounts from his wholesale houses, reduce the overhead expense of bookkeeping and postage, and in this way save money for his customers.

First he thought of all the advantages he could offer his customers to induce them to pay cash for quality goods. He worked out a plan based on cash buying and cash selling, and the saving of money to his customers.

This plan he submitted to some of his former customers. "I showed them," says this merchant, "that if we could buy and sell for cash we could give them a worth-while saving, because we could eliminate a number of the costs of doing business. I explained that as long as we incurred these extra expenses, we had to add them to our selling prices. In other words, I showed how we could operate on a considerably

narrower margin of profit by cutting out the overhead expense on bookkeeping, bad debts, long-time credits, and lost cash discounts. I also explained how, on a cash basis, we would be in a position to take advantage of the power of cash buying.

"Furthermore, I demonstrated that by operating on a cash basis I could and would meet the prices of any out-of-town competitor on any class of merchandise. I could not only give the customers better service than the mail-order houses, but I could save every customer half the freight on any purchase.

"If customers are willing to buy on the same basis that they buy from the mail-order houses, paying cash and eliminating certain convenience of service, then I am in a position to give them the same or even a larger saving on most lines.

"From the beginning the farmers took to this plan. Not one said that he couldn't pay cash. Most of them said they would try it out. And they have. One night last month, Wildey's General Store—which had been operated on a credit basis by various merchants under various trade names for over 25 years—closed its doors for the last time. The next morning Wildey's Cash Store started in business.

"Now, I have little trouble in keeping trade at home, or with the the problem of mail-order competition."

On the other hand, Sol Westerfeld, an Illinois grocer who has been in business for over 20 years, had been running his store on a cash basis and was making money. One day he turned about face, and gave credit. He has been giving credit ever since. Mr. Westerfeld says: "I found that under the cash plan I had no customers I could really call my own. My trade was at the call of competitors' temporary price reductions. I had to spend an unreasonable amount on advertising and constantly offer special price inducements in order to hold my share of trade.

REAL ESTATE INSURANCE	DRY GOODS NOTIONS	BANK	GROCERIES MEATS	TAILORING CLEANING	HARDWARE SUPPLIES	SHOES HATS AND CAPS
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NAME <i>Sheldon, James</i>							
ADDRESS <i>526 West Main Street, Wilmette</i>							
1913		1914		1915		1916	
1	2	1	2	1	2	1	2
///22	///12	///12	///22	///233			
1917		1918		1919		1920	
1	2	1	2	1	2	1	2

Figure 21: The card shown above is one of those used by one commercial association to obtain information about credit customers. The cards are unsigned, so there is no danger of giving out "trade secrets."

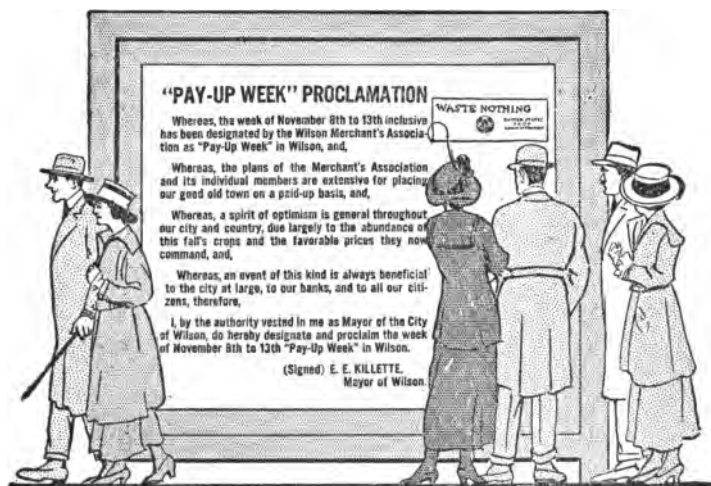


Figure 22: The merchants of one southern town held a "pay-up week," in order to reduce their losses from bad accounts. The mayor signed a proclamation of the week, and each merchant displayed a copy of it.

"These facts and others led to my awakening. When I received an invitation to open a charge account from a large department store running a grocery department, the die was cast. I reasoned that if the large store found charge accounts worth while, I was making a mistake in holding to a cash basis. I concluded that even if I made money on a cash basis, my customers were not bound to me as closely as they would be if I carried their accounts.

"So I said to the first customer to ask for credit after I had made my decision: 'I shall be glad to extend credit, but I would like to have the references customarily requested by any well-regulated business.' Under the combination cash and credit plan which I have since followed, I held my cash trade and expanded my business satisfactorily among credit customers. By having steady customers and offering credit I am able to obtain a better profit margin. Since my loss from bad debts has never exceeded one half of 1% of my sales, I think these advantages well worth their cost."

Merchants in several cities have adopted the "pay-up week" plan, and have found it worth while. The merchants of Wilson, North Carolina, held a "pay-up week" one year, and collected \$73,000—a satisfactory result, you'll admit.

This was an average of more than \$10 for every person in town, since the census figures give Wilson a population of about 7,000. Furthermore, the cost of the campaign was very low—it amounted in all to only a little over one tenth of 1%. The secretary of the merchants' association tells about it:

"The merchants' association selected a good time for the campaign—after a season of good crops and an active industrial year. The management of this undertaking was given to the regular advertising committee of the merchants' association. One hundred dollars were appropriated to put it through.

PAY-UP WEEK

November 8 to 13

Six Days for Paying Your Accounts and Six Reasons Why You Should Pay Now

- 1. Your money will help us pay our debts**
- 2. We have been kind to you, now it's your turn to reciprocate**
- 3. A payment now will improve your credit rating with every Wilson merchant**
- 4. Your check goes at once to a Wilson bank, thus increasing bank deposits, and assisting them to accommodate their customers**
- 5. Prices on all farm products are much above last year's prices. You CAN pay if you WILL**
- 6. If you are a BOOSTER for WILSON pay now and help your town to grow**

Figure 23: Ten thousand slips like the one reproduced above were printed and attached to statements sent out on the first of the month during which a "pay-up week" in one town was held.

\$1 Pay-Up Week \$1

\$1 Paid on Account

This ticket entitles you to one chance on the \$50 in Gold given by the Merchants Association

SIGN NAME AND ADDRESS ON BACK OF THIS TICKET

Deposit in Contest Boxes at either Patterson Drug Co. or Turlington and Moore's BEFORE MONDAY NIGHT, NOV. 15

Figure 24: Prizes amounting to \$70 were given during "pay-up week." One of these tickets was given with every \$1 paid on account.

"The first action of the committee was to arrange for newspaper advertising. By an agreement formerly made with the editor of the local paper, the association was to have as much newspaper space as it required, free of charge, whenever desired.

"Two weeks prior to, and during 'pay-up week,' from one half to two columns on the front page was used by the advertising. To lend dignity the mayor signed a 'pay-up week' proclamation (Figure 22), which was published continuously.

"Besides advertising in the newspaper, the committee had 10,000 envelopes printed in red ink with the words 'Pay-up Week, November 8 to 13—Let everybody help.' The merchants mailed their statements in these on the first of November.

A "PAY-UP WEEK" PUT THIS TOWN ON A BETTER
CREDIT BASIS THAN EVER BEFORE

"In order that all store windows might present a uniform appearance during 'pay-up week,' we had a series of five window cards printed in red ink and distributed by the secretary to every member. Four of these cards in each set were triangular in shape, so as to fit the four corners of windows. Each card bore some slogan. The fifth card was oblong, and it measured about 14 by 22 inches, and on it was printed the 'pay-up week' proclamation signed by the mayor.

"Next in value after the newspaper and window displays were seven 30-foot banners. These we hung across the streets at the principal business corners.

"Painted on each banner, in 14-inch red letters, were the words: 'Pay-up Week—November 8 to 13.' And under this slogan, in 8-inch blue letters, each banner carried some such phrase as 'Start dollars moving,' 'Every little bit helps,' 'If you can't pay all, pay some,' 'Boost your town's credit,' and the like. These banners were put up the week before.

"Other methods of advertising also were used. Two hundred red felt pennants were placed on delivery trucks, wagons, and bicycles during the week. In every package sent out by members of the association was a card giving 'six reasons why you should pay now.' One thousand buttons bearing the phrase 'If you can't pay all, pay some,' were distributed. These buttons proved to be the only ineffective advertising we used during the event.

"By this time we had exhausted our appropriation of \$100. Almost at the same time we found that interest could be greatly stimulated by the offer of cash prizes as inducements to pay. We discovered this idea of inciting interest only three days before the beginning of 'pay-up week.'

"The following plans were then adopted to secure quick action: Seventy-five dollars were raised that morning by subscription, the 15 leading firms contributing \$5 each. Dodgers were then hurriedly printed, stating that the merchants' association offered \$50 in gold, divided into five prizes. The dodger gave detailed regulations of the plan.

"Total collections for the week, as shown by tickets used during the prize contest, were over \$73,000. The 20 prize-winning tickets, each bearing upon its back the name of the firm giving it out, were distributed by 16 different business houses. This fact in itself shows that practically every concern shared in the good results which was very satisfying.

"Many past-due accounts were collected. People who generally required considerable 'coaxing' came in voluntarily and paid up. In a few instances, accounts that had been given up as lost were collected. Still other customers, who were not in a position to pay, gave notes for their unpaid balances.

"One of our leading department stores, the annual business of which is about half cash and half credit,

reported collections for 'pay-up week' as 20% more than the entire month of November of the preceding year, and 150% more than was collected during the same week, without a pay-up campaign, the year previous, that having been the best previous fall in the history of the store."

Some concerns which have not been able to eliminate credit entirely have installed cash departments, where goods are not delivered and are marked down in price. Other merchants add a certain amount to the selling price of their merchandise for credit and delivery—1 cent on \$1 for charged goods and 5 cents an order for delivery. Both of these plans have been very successful in cutting down bad-debt losses.

A retailer who has solved his own credit problem successfully by using the "cash-with-a-discount" plan, sums up the whole credit situation pretty well in saying: "I have always been under the impression that credit conditions could be bettered; that all patrons should be placed upon the same basis; that it is an injustice to charge the cash customers the same prices for the same merchandise as the man who makes you wait from 60 to 90 days, and often longer. I have worked out my own problem in my own way, which every man must do. I have at last found real pleasure in doing business, my customers are satisfied, and we are both receiving equal benefits in dollars and cents."

CHAPTER X

HOW TRAINING YOUR SALESPeOPLE MAKES MORE SALES

A GLANCE at a list of the costs of doing business of almost any merchant will no doubt show "salaries" as the largest single item. It is costing the typical retail merchant over 9% of his net sales to sell his goods, investigation indicates.

Reducing the cost of selling, however, it is generally agreed, is not a question of lowering the actual expense—as there is no indication that salaries will be or can be very much reduced—but rather one of lowering the percentage cost. And in order to do this the merchant must first increase his total sales.

Investigation among successful retailers throughout the country shows that fundamentally they are using practically the same methods to get more sales from each salary dollar. To get the best results from salesmen, these retailers declare that the salesman must be given (1) an idea of what the store is doing—how much the sales have increased in the last year, why the mark-up is right, and so on; (2) he must be given responsibility—told how he can raise or lower the sales total and how he personally represents his employer; and, (3) he must be given a material interest in the store's profits, either by a bonus, percentage and commission, or a direct share of the net profits.

"It was costing too much to sell," declares an Ohio retailer. "I studied the situation and decided the solution lay in increasing each individual's sales.

"I thought my salesmen were as good as the average, but I decided to watch their selling methods for one day. It took only that long to discover that they needed a lot of training. If a customer came and asked for an article, the salesman perhaps leisurely hunted around for it, found it, laid it on the counter somewhat disinterestedly, and probably said: 'We're selling a lot of these.' If the customer wanted it badly enough, he bought it, if not he walked out without it.

"Right then and there I realized what vitally important factors in my organization my salesmen were. But I saw that sometimes the salesmen failed to recognize their opportunities and I made up my mind to do everything I could to make our employees realize these opportunities. Today we are working with might and main to bring our sales force to a higher state of effectiveness and to realize this important factor.

"One evening every two weeks we conduct a sort of sales class. At these meetings we talked over sales methods by which we can increase our business, and all changes that can be made to obtain better work or to make the work more pleasant. Of course, we have only three salesmen but we make it plain that these are their meetings, and that if they have anything to say or any suggestions to offer or any criticisms to make, not to hesitate; for we are always eager to get their ideas and suggestions.

"We also take up the study of merchandise; at one meeting we will perhaps discuss tea and study its history and methods of preparation. At another we will discuss coffee. And so we proceed, sooner or later taking up almost every line in our stock. In this way each one of the salesmen learns, and can talk convincingly about our merchandise to customers.

"The typical small grocery business does not lend itself as readily to commission arrangements as do some enterprises in other lines. Therefore I obtain the

cooperation of my clerks by paying a bit higher wages than the next man, and by considerate treatment which makes my employees feel satisfied."

"My observation is," declares one merchant, "that poor sales results from clerks cannot always be traced to lack of experience or indifference among them. Many times it could be followed back to our desks and accounted for by our incompetency as leaders.

"Some of us think salesmen and clerks are the same. They are not with me by a long shot. A clerk waits on the trade and takes orders; a salesman sells goods. It is true, however, that in the majority of instances clerks and salesmen are paid at the same rate.

"For example, say we want to hire a salesman, as I contend that we should not hire mere clerks. Suppose we pick out a young fellow who is popular and a good mixer. His fitness for the work, or his selling ability, as like as not, does not enter into the transaction at all.

"After we have hired a real salesman, the chances are that we put in a few hours telling him where the stock is located, and then turn him over to another salesman. Next we forget him. There has been no talk about salesmanship, no reference to our store policy, no discussion of ways to sell service. There is a chance that he may have some latent sales ability, but surely this sort of procedure will not bring it out.

"In our store we hold meetings of the salespeople once a month the year round. In the winter we have them at the store and get lunch afterward at some restaurant. During the summer we get together at my house and help the talk along with refreshments and cigars. Sometimes we go to the movies before the meetings, or take rides in my car—my 'sales force' is not so large that I cannot get it into one auto. I find that these meetings do us a lot of good in our fight with higher costs. You notice I say 'us'—because I always learn something at these meetings.

"At some of our first meetings I took the workers into my confidence. I showed them exactly how I arrived at my selling cost—16%, and explained that I wanted a net profit of 10%. I did this because I wanted them to obtain the information first hand. We also discuss store service, ways to approach customers, methods for attracting interest in new lines, plans for getting acquainted with newcomers, our advertising, competitors' publicity, window dressing, store arrangement, and so on down the list.

HERE ARE PLANS THAT GET BIG RESULTS
FROM SALESPeOPLE

"We have concluded that simply putting an article into customer's hands and then telling them about its manufacturing details provides the best sort of sales argument. If an article is too large for a customer to handle readily, we at least try to have him do something with it—as to open or close a door, take off or put on an attachment; in fact, carry out any act that will arouse a personal interest or a desire for possession. When handled in this way the customer forgets the price and becomes interested in the article—which is exactly what we want.

"We strive to convince him 'right off the bat' that the article is superior to anything on the market by showing him that we really know something about it. Of course, every 'live' manufacturer cheerfully supplies literature prepared to give retailers information about the manufacturing processes behind the goods they stock. This information on its face probably is called 'manufacturers' selling arguments.' But what matters that to us? It gives us the facts, or basis, to work on.

"Each one of us sets out to be a good stockkeeper. This keeps our stock looking neat. We all know where the goods belong, and when not busy at selling we work

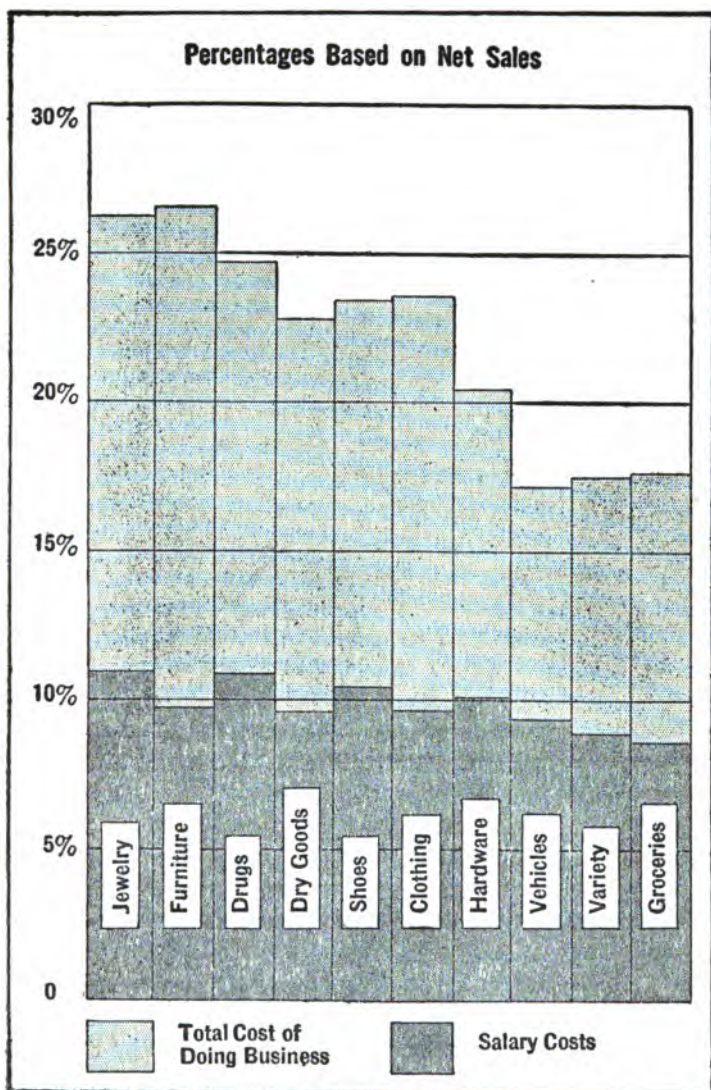


Figure 25: This chart shows the salary cost percentages to net sales in 10 different lines as compared with the total cost of doing business percentages. The vehicle business has a high salary percentage, as you see, but not far ahead of some other lines.

on the stock. So we always appear to be busy, whether or not business is really a little dull, and that alone is worth something. We seldom, very seldom have to dig under the counter or go down into the basement for an article that should be upstairs, or shout to one another in order to locate goods.

"When a customer enters our store any salesman who is not busy selling goes to him in a brisk manner that means business—we assume 'at the jump' that customers come in to buy. We have all entered stores and waited several minutes until a clerk decided to stop talking to associates or to discontinue putting up stock. That is what we try to avoid.

"The stereotyped 'What can I do for you today?' and 'Now, what else?' are banished from our store. We find it easy to signify to the customer by our attitude that we are ready to take care of him. We also avoid 'This is the best on the market,' and like platitudes. Perhaps we start in by saying 'Do you know, Mr. Hawkins, that this article goes through 12 different processes before it reaches the finisher?' or some corresponding quality appeal. Our effort is to interest the prospect in the article so as to get his mind receptive for the price when the time to quote it comes.

"Then we follow with other clinching sales arguments. Finally the price is quoted. But the work does not end with the sale. If the customer is not in a hurry, we try to interest him in other goods. This does not mean a crude 'Can't I sell you this?' but a more subtle attempt to awaken additional desires. Or we may strive to interest the customer in our store—the arrangement of it, its cheerfulness, its conveniences for busy shoppers, our service—for we sell these points as well as the goods."

Every worker wants some responsibility on his shoulders. All of us like to feel that we are accomplishing some one task well, that our work is worth

while. Investigation makes it plain that the successful employer of men and women realizes this quality of human nature and handles the work accordingly. A Chicago druggist, for example, gives each of his clerks some one task to be responsible for. One handles the stock and keeps the inventory, one looks after the store arrangement and displays, and so on. The proprietor studies each individual and gives him the kind of work that he seems best adapted to. As a result, the salesmen are keenly interested in their work and in the store.

Salesmen, naturally enough, are not able to sell more merchandise than it was the intention of the customer to buy, to everyone who comes into the store, but investigation shows that through tactful suggestions salespeople can sell additional merchandise to at least one out of every three customers.

To arouse enthusiasm among his sales clerks, one retailer offers a small cash prize each month for the best sales average. By keeping a record of each salesmen's sales and his sales average for each day, the merchant can very easily figure at the end of the month what the sales average is. The one having the highest average for the month wins the prize.

This plan does not interfere with the salesman's doing other work, such as trimming the windows and washing the showcases, as his record does not depend on the amount of goods sold but the average amount of each sale.

Its originator says of the results of the plan: "It is the best one we have ever tried for getting the salesmen to increase their selling ability. They usually must sell a customer something in addition—some article he perhaps had no intention of buying when he came in. This plan not only increases sales but it increases the interest of the salesman in the business, thus killing two birds with one stone, so to say."

Another retail merchant holds a meeting for his employees on the last day of each month. At this meeting the merchant reviews the plans which he made at the first of the month just past, and discusses how far these plans have been carried out. He also outlines new plans for the coming month—tells which lines he wants to push, what volume of sales he is anxious to secure, and the like.

As a supplement to these meetings, this merchant keeps a book record which shows him just what each of his salespeople is doing. The book gives the salesman's record not only for the month just past, but also for the corresponding months of previous years. In this way the merchant can see how the various individuals are progressing. Increased sales totals, plus increased conscientiousness in the details of store work, plus increased ability to work with others, taken all together, make for increased value to the store. The merchant frequently calls the salesmen to his desk, and shows them their records. In fact, they quite often come without being called, because they are eager to make the best possible showing.

Fixing the salesman's salary in proportion to the sales made, whether in the form of commission, bonus, premium, or the like, is one of the greatest factors in gaining the cooperation of salespeople.

An eastern druggist says: "I have found that salesmen—like all of us, I guess, appreciate a proper reward for our labor. Any plan which proves to the salesman that his employer is willing to have him share in the fruits of his labors is a mighty good incentive to individual effort."

One retailer pays his salespeople by salary and bonus. Semiannually 1% of the total cash sales is divided among all employees who have been employed in the store at least six months. The distribution is shared on a basis of the wages each salesman receives—the

bonus of the one receiving \$20 a week is double that of the one receiving \$10 a week.

It is easy for this merchant to determine the amount of bonus each salesman should receive. He finds what percentage the amount paid out to each salesman is of the total amount paid out for labor; then he gives him that percentage of the 1% of the total sales.

For example, if the total sales for six months amounted to \$30,000, the salesman whose salary is 10% of the total amount paid out for labor during that period will receive a dividend amounting to \$30.

"Although the plan increased our labor expense considerably, it is well worth it," says this retailer. "It gives new interest to our sales force, and spreads the spirit of cooperation. Each salesman's interests lies just where our own does—boosting the volume of sales for the whole store. Since we have put this bonus plan into effect our sales have increased over 25%."

A clothier gives a bonus for every sale of \$25 or over and finds that it works surprisingly well. He discovered that his salesmen like to sell good clothing, and that almost everybody likes to wear good clothing. And his business is benefited by the profit that comes from selling the better grades of merchandise. The result has been an automatically increased volume of sales for this merchant.

Realizing that the commission method of payment was sometimes unsatisfactory, a California retailer devised a plan for paying salespeople, which has worked well in his store. He considered the salary and commission plan only a modification of the straight commission method, and equally unsatisfactory in his case. So he decided to fix each month a maximum percentage that each department ought to cost for selling expense. Then he planned to allow for distribution among the salespeople any saving in the actual cost of each department as against the standard—the saving to be divided

equally among the salespeople in each department on the basis of the number of days worked.

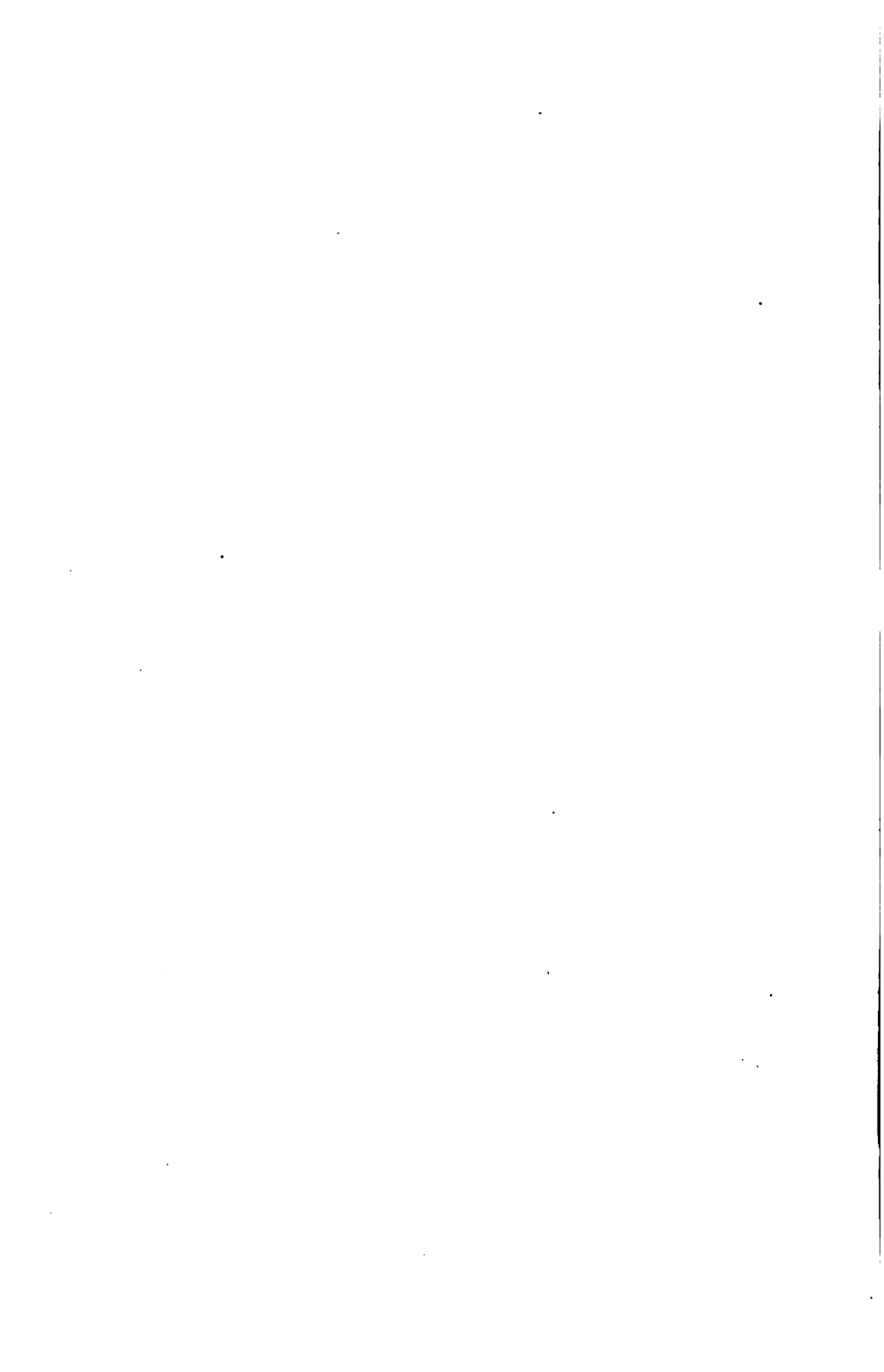
From his experience so far with this method this merchant finds that it eliminates the principal objection to a bonus system, in that it induces everybody to work for the department's benefit. As the bonus returns are divided equally and not on the record of individuals, it has a tendency to lead the strong salespeople to develop the weak, in order to bring the entire department up to a bonus-earning standing. It also tends to bring to the attention of the proprietor all conditions which operate against any department's making a good showing.

The most difficult part of the plan is to fix a maximum percentage that is fair both to the employees and the employer. This retailer has to give this problem very thoughtful consideration. A yearly basis was more easy to figure, but the yearly bonus worked poorly because the salespeople forgot it before the year was up. Paid each month, it acts as a constant stimulus for increased effort.

To sum up, it appears that when the retailer makes his workers' ideals his ideals, shows interest in their affairs and lets them look into his affairs; when he manages to convince his clerks and other workers that he is unselfish, that he thinks of more than himself and his business; then will his workers think for him, and with him, and his sales will reflect this spirit. The motive power which drives his business machine on to success will be strengthened, and success will not only stay with him, but with all who help to keep his shop windows bright.

PART III

KNOWING WHERE YOUR BUSINESS STANDS



CHAPTER XI

SIMPLE RECORDS WHICH SHOW UP VITAL FACTS QUICKLY

EACH morning at 10 o'clock," says a Detroit retailer, "I know whether my business earned any money for me the day before, and if so, approximately how much. More than that, I know how the previous day's sales, profits, and expenses compared with the same figures for the corresponding day of the year before."

We often hear merchants say: "I haven't the time to spend on accounting systems," or, "It takes too much work and I'm too busy." These perhaps are the men who are spending their time over trifling affairs that their employees could do for them. They are losing sight of the big objective and becoming lost in a mass of detail. They are standing still. The right accounting system will not take a great amount of your time and labor, and a few minutes' work every day on your books will go far toward solving the problems which the average merchant faces today.

The jeweler who made the statement at the beginning of this chapter goes on to say: "Promptly at the end of each month, too, I know the same facts for the 30-day period, and here again I have comparisons of sales, profits, and expenses with the previous year.

"My records are planned to give me these facts readily, without too much fussing over details. The records I use, in fact, are so simple and helpful that I think perhaps they will help others.

120 LESS "RED TAPE" IN ACCOUNTING

"I will start right at the beginning. We handle both cash and charge sales through the cash register. In most instances the sales are recorded on the small ticket which the cash register throws out. But when the customer wants a complete record of the sale, we write it out for him in a sales-ticket book. This ticket then goes into the cash register, instead of the one ordinarily thrown out when the sale is rung up. Charge sales are handled successfully the same way as cash sales are.

"Promptly the next morning all of these tickets are removed from the cash register. They go to the office, together with the actual cash and the report which the cash register gives of the amount of sales made by each salesman. These facts are assembled in a special record (Figure 26), which gives the following interesting information:

Total amount of cash	Clock sales
"Paid outs"	Silverware sales
"Laid aways"	Merchandise and novelty sales
Charges to ledger (customers')	Optical sales
Diamond sales	Watch repair department sales
Jewelry and small diamond sales	Jewelry repair department sales
Watch sales	Clock repair department sales
	Total of each salesman's sales

"This special record goes to the bookkeeper, together with the 'charge' and 'paid out' tickets, and he makes his entries in a combined cash-sales book and journal (Figure 26). For the purpose of giving me the exact information I need to run my business properly, the bookkeeper also enters the sales in another book. This shows the daily, monthly, and yearly sales of each store, and also each salesman (both charge and cash sales); with comparisons against the corresponding previous periods, and percentage rates of increase or decrease, for every department and each store.

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"Quite often we make sales by the 'laid-away' method. Whenever we sell an article in this way, we put it in a special envelop and file it in a compartment of the safe which is reserved for the purpose. The envelop we use (Figure 27) has spaces in which we record payments as they are made. Whenever a 'laid-away' buyer calls, therefore, to make a payment on or get the merchandise, the salesman can tell by looking at the envelop the whole history and present status of the transaction. I keep a separate ledger for these 'laid aways' and this is checked and balanced against the envelops in each store each week.

**THESE RECORDS SHOW ONE MERCHANT JUST WHERE
HE STANDS ALL THE TIME**

"Payments on 'laid aways,' of course, we record in the cash register. And the following morning the bookkeeper gets the record of these payments, along with the other sales slips. He checks the slips against the envelops to make sure the proper amounts have been entered. We have a special account in the general ledger for 'laid aways.'

"We keep separate ledgers for accounts receivable and accounts payable. All postings to the accounts receivable ledger come from the combined cash-sales book. All credits to accounts payable, with the exception of a few small items through the cash-sales book and journal, come from an invoice register (Figure 28).

"We have a journal, but we use it for only two purposes. In it we record, first, all bills payable; and, second, the end-of-the-month entries in connection with our monthly closing and balance sheet. Bills payable are entered in a separate ledger account for each month in which they become due, so we know at all times how much is coming due each month.

"Our merchandise records are kept in an interesting way. We have a special book for the purpose (Figure

Watch	Diamond	Optical	Prospect	Diamond	Optical	Prospect
✓						
Name <i>Bert F. Corcoran</i>						
Address <i>1316 East 50th</i>						
Article <i>14 Jewel #189</i>						
<i>hunting case 25.00</i>						
Date _____ From _____						
"Laid Away" Record on Back						

Figure 27: Here is shown an envelope for keeping track of "laid-away" goods on which customers have made payments.

INVOICE RECORD										MILLER'S BIGGEST LITTLE STORES										DETROIT-MICHIGAN									
		Bought from		Accounts Payable				Accounts Receivable				Jewelry		W		ry		Store Supplies		Advertising		What		Dr.					
Date	No.			Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.				
4/11/28		R. Z. Reese				130.17						130.17																	
"	1220	H. G. Hilliard				52.13																							
"	1221	W. J. & Son				12.00																							
4/18/28	1222	B. Z. Reese				211.11																							

Date	Article	Mfg. No.	Line	Cost	Retail	Price		
5/18	B. Z. Reese	14221	25	1	187.24			let jewelry
5/27	C. B. P. Co.	5874	40	2	146.25			main
			3					
			4					
			5					
			6					
			7					
			8					
			9					
			10					
			11					
			12					
			13					
			14					
			15					
			16					
			17					
			18					
			19					
			20					

Figure 28: The top form reproduced shows the invoice register, which records facts about invoices received, debit memoranda covering returned goods, and so on. Merchandise is classified by departments.

29). This book contains numbered sections, each section being devoted to one of the firms we buy from, and the firm being known by the section number. The separate sheets in each section are lettered—A, B, C, D, and so on—while the lines on each sheet are numbered. So, when we enter an article in this book, we automatically have the symbol which we must place on the price tag to show us where we can find the cost. Thus, a costmark 3-F-12 means that the price we paid, the selling price, and a full description of the article, will be found by referring to the merchandise book under the firm whose number is 3, sheet F, line 12. This method of keying proves very satisfactory.

"This book is for original entry only and for a full description of the article. In addition, I have a set of cards (Figure 30) by which I keep track of what merchandise is on hand in the stock room, and the merchandise of every description on hand in each store.

"This is checked up daily and we are able at any time to tell just what articles and what quantities are on hand, not only in the stock room, but in each store at any one time. The one form is used for all articles which we call specials, also for alarm clocks and novelties of all kinds. The merchandise entered on this form is not recorded in the book above mentioned, the entry being made direct to the card. The second form is used for those articles which have been entered in our stock book record, but does not contain any description of the item, merely a record of the distribution of the stock record book merchandise to the stock room and the various stores.

"From the sales tickets for each day's business, the bookkeeper makes up a sheet showing the cost of all diamonds and merchandise sold. A separate record is kept for all mounted diamonds.

"We recapitulate the total of the cost sheets each day, and obtain a monthly total. With this figure we

make a journal entry crediting the stock accounts, and charging the cost of sales, by departments. Of course, the difference between the cost of sales and the sales account for a department is the gross profit of that department.

"The monthly statement which I get from the bookkeeper shows in the first set of columns the results from operating all three of my stores; and the statement is extended to show the results for each store separately.

SIMPLE RECORDS WHICH GIVE THE ESSENTIAL FACTS
AND ARE ALSO ADAPTABLE

"The expenses listed on this monthly report can, without much extra trouble, be worked out on a percentage-of-sales basis, and I find such percentages helpful for purposes of comparison. Checking the expense percentages against corresponding percentages for previous years, I know whether I am managing properly. And the place where leaks are starting are pretty sure to show up. I can start looking for the holes at once, and stop them in time. I find it mighty important to have this sort of a check on expenses.

"Repair job envelopes and laid-away envelopes contain inserts with sheets of carbon paper attached. These are taken out of the envelopes as soon as the original record of a sale is made. The inserts contain spaces in which the salesman can write his opinion as to whether the customer might also be a prospect of any other department, and if so, which ones. This insert goes to the office and the name is entered accordingly on our mailing list and thus supplies ammunition for our next mailings.

"I do not allow buyers to place orders unless the office purchase requisition is obtained and signed by the merchandise man, and a duplicate is left on file in the office. By taking this precaution, the merchandise man knows at all times what is on order

MERCHANDISE STOCK LEDGER									
DEPARTMENT A									
1916	DEBITS				CREDITS			BALANCES	
	Purchase Cost	Purchase Retail	%	Marked	Sales	Reductions	Total Credits	Retail	Estimated Cost
Inventory June 30								4175.62	3453.13
Month of July	4187.75	7152.40	30		155.15	78.67	155.22	4183.60	3514.20
Total								4183.60	3514.20
Month of August	1121.71	1223.08	33		1379.79	51.30	1431.09	1553.40	1082.20
Total	1809.46	1936.48			2939.94	129.97	2102.37	3917.00	2656.27
Month of									
Month of									
Total									
Remarks:									

Figure 29: A page from the merchandise stock ledger is reproduced above. This book keeps a running record of the stock, and the amount of goods on hand in each department can be seen at a glance.

INDIVIDUAL STOCK RECORD									
Date Entered	Description				Stock Number	Diamond			
191	Mounting	Color	Perfection			Paper Whose No.	Wt.	¢ Per Carat	
5	2	Tiffany	white	perf.	34-61		1 1/4	8125	

RECORD REPAIR									
Name		Address	From Store No.	No.	Date			Description	
					Received	Promised	From Watch Shop	Movement	Movement No.
Mrs. A. J. Jameson		724 Laurel St.							

MILLER'S BIGGEST LITTLE STORES									
Article "B. B." Alarm Clock - #3								Stock Card	
Store No. 3 Bought from K. F. Co. Cost 1.68 Sell 3.45									
Date	Received	Sold	On Hand	Date	Received	Sold	On Hand		
11/18									

MILLER'S BIGGEST LITTLE STORES									
Store No. 3 Stock Card								No. 34	
Sheet 1.600									
Date	Quantity	Article	Cost	Sell					
7/19	15	16-582							

Figure 30: The upper form in this group is a special record for all mounted diamonds sold each day. It might as easily be tools or handkerchiefs. The form just below supplies a check on repairs.

[illegible]

Figure 31: The old purchase ledger, shown above, provided no way to keep a record of the rate of mark-up, before the great importance of watching it became apparent.

[illegible]

Figure 32: The large space headed "remarks" was seldom used in the old form, so it was changed into three columns headed "selling price," "mark-up," and "% marked," in this new purchase ledger.

undelivered, and I, also, know whether there is a likelihood of overbuying.

"The cashier also keeps a record of the probably due dates of the invoices that will be rendered against these orders on file. In this way we make sure that too much liability is not assumed by any one month. The cashier, under this plan, has an intelligent idea, not only of what is due, or will shortly become due according to the books, but he also knows what may become due from the orders on file on which invoices have not yet been received. The office also looks after discounts and terms on all orders issued.

"The net result of having such records as I have described is to put me in the closest possible touch with the really essential facts of my business. I feel that sometimes we merchants are liable to look at our business records without seeing anything—anything really important, I mean. I like to have my records so clear and definite and right to the point that the facts cannot possibly escape me."

Although this system is used in a jewelry store it can be adapted very easily to other lines, as you can readily see, by a few changes.

One merchant discovered that he was on the verge of failure, and after studying his situation carefully he changed his accounting system entirely.

His new system is made up of a journal, a cash book, a purchase ledger, a customers' ledger, a departmentalized perpetual merchandise stock ledger, a reduction or mark-down sheet, and a private ledger. A controlling merchandise account remained in the private ledger, its totals matching with the totals shown by the stock ledger. He also divided the stocks a bit more closely by increasing the number of departments.

In order to secure mark-up figures regularly, he merely added three columns to the sheets in the purchase ledger. There was a large column to the right of

MONTHLY DEPARTMENTAL PROFIT AND LOSS STATEMENT														January 1918	
Dept.	Stock Opening	Stock Closing	Change	Purchases	Cost of Sales	Sales	Gross Gain	% Sales	Expenses	% Sales	Net Gain Month	% Sales	Net Gain to Date		
A	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	0.00	100.00		
B	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	0.00	100.00		
MONTHLY TABULATION OF EXPENSES														January 1918	
Dept.	Salary	% Sales	Freight	Advertising	Rent	Window Display	Insurance and Taxes	Dept. Expense	General Expense	Total	% Sales				
A	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
B	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
ANNUAL TABULATION OF EXPENSES														Dept. A	
	Salary	% Sales	Freight	Advertising	Rent	Window Display	Insurance and Taxes	Dept. Expense	General Expense	Total	% Sales				
February	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
March	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
April	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
May	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
June	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
July	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
August	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
September	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
October	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
November	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
December	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
January	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00				
ANNUAL PROFIT AND LOSS ACCOUNT															
	Stock Opening	Stock Closing	Change	Purchases	Cost of Sales	Sales	Gross Gain	% Sales	Expense	% Sales	Net Gain	Sales			
February	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
March	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
April	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
May	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
June	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
July	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
August	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
September	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
October	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
November	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
December	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
January	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
Inventory	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
Year	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			
Year	100.00	100.00	0.00	100.00	100.00	100.00	0.00	0.00	100.00	100.00	0.00	100.00			

Figure 33: Expenses and profits are totaled every month for the various departments on sheets like the two upper forms. At the end of the year this information is summed up, as in the two lower forms.

REDUCTIONS							No. 1920	
Month of <u>August</u> 191 <u>Dept. Millinery</u>								
Date	Description	Why Reduced	Quantity	Original Price	Marked to	Extended Difference		
8/7	International Shawl	Overstock	11 doz	5.00	3.75	13.75	13.75	
8/11	O. Peaches	Plumett in lot	2	4.00	5.00	4.00	4.00	
8/21	International Shawl	Not popular style	4	3.50	2.00	7.00	7.00	

Figure 34: Each department's rate of mark-down is watched by means of a record like this, which also serves as a guide to buying.

these sheets headed "remarks." This column was seldom used, so he just divided it into three columns headed "selling price," "mark-up," and "% marked," respectively.

The selling prices are entered in red ink. The result is like the usual bill register, except that he uses a special page for each line. The old form and the new one are shown in Figures 31 and 32.

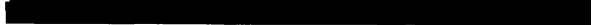
He also improved his forms for covering a monthly tabulation of expenses, a monthly departmental profit-and-loss statement, and an annual tabulation of expenses and profit-and-loss accounts. These four new forms are shown in Figure 33. They are self-explanatory. Figure 34 shows the mark-down sheet.

"These exceedingly simple changes," says this merchant, "brought startling facts to my attention almost automatically. For instance, I found that I was paying more for my candy stocks than I was getting for them. It took me months to adjust this particular situation—careless weighing was the explanation—but it was finally remedied.

"My new system has now been working nearly five years. It has overcome all the difficulties that were relentlessly driving me to the wall. My sales were \$17,000 the first year I used my new system, \$20,000 the next, \$37,000 the third, and last year they crossed the \$40,000 mark."

The perpetual inventory sheet which is shown in Insert I was devised by a large wholesale clothing firm for retail clothing stores, and progressive merchants are finding it an effective daily watch on the trend of their business.

In order to keep this system accurately, there must be a written record of every transaction, cash or credit, every day; the cost of every item must be written down at the same time as the selling price. This gives an accurate check.



A regular sales book and a "returned goods" ticket (Figure 35), both ruled for cost and selling prices, also are used in this system.

The perpetual inventory sheet, as you will notice, is ruled for five weeks and one extra day to provide for a month of 31 days, the first day of which falls on Saturday, the last day on Monday. The columns are numbered or lettered, and in describing their use we will refer to each by its number or letter.

Column 1—"Merchandise on hand"—gives the exact inventory, at cost, the first day that the form is used. This column is not totaled.

Column 2—"New goods added to stock"—covers nothing but goods received from manufacturers. If the merchandise is returned immediately upon its receipt, before it is put into stock, the cost is deducted from the invoice and only the net amount is entered. This column is totaled every week and every month.

The total amount of goods returned during the day by customers, figured on the selling price, is inserted in column 3, and this column is totaled every week and every month.

Column 5 takes care of merchandise returned to the makers after it has been put into stock.

Column 6 is totaled every week and every month, and gives the total of the sales checks for the day, figured on the selling prices, after the amount in column 3 is deducted, and column 7 gives the same total figured on cost prices.

The gross profit—the difference between the amounts in columns 6 and 7—is recorded in column 8.

Column 9—"Percentage on sales"—is figured every day, week, and month without totaling, and is found by dividing column 8 by column 6. This column is extremely important and should be watched closely.

Often in making comparisons it is necessary to know the reason why sales increased or decreased from the

STOCK TICKET			
Article <i>Corn - Tiger Lily</i>			
From Whom Purchased <i>Sam'l Stevens Co.</i>			
Date <i>9/2/16</i>		Quantity <i>24 doz</i>	
Cost \$ <i>18.75</i>	Selling Price \$ <i>25.00</i>	Profit \$ <i>6.25</i>	Per Cent <i>25%</i>
Remarks			

PURCHASING TICKET			
Article <i>Eggs</i>			
By Whom Purchased <i>Max Co.</i>			
Date <i>9/2/16</i>		Quantity <i>20 doz</i>	
Cost \$ <i>5.00</i>	Selling Price \$ <i>6.00</i>	Profit \$ <i>1.00</i>	Per Cent <i>16 2/3%</i>
Remarks			

PAID OUT TICKET	
By Whom <i>Rob Adams</i>	Expense
Charge to <i>Miscellaneous</i>	
Date <i>9/2/16</i>	Amount \$ <i>50¢</i>
Articles <i>Crape paper for window</i>	

LOSS AND GAIN TICKET		
Article <i>Strawberries</i>		
Quantity <i>10 qts.</i>	Date <i>9/2/16</i>	
Cause <i>Spoilage.</i>		
Regular Retail Price \$ <i>1.25</i>	Amount Received <i>50¢</i>	Loss or Gain <i>75¢</i>
Remarks		

Figure 36: Stock tickets are used to record every purchase from a jobber or manufacturer. Purchase tickets are used to record every purchase made by a salesman, and paid out tickets for payments.

"Loss and gain" tickets help the salesman locate losses.

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corresponding day of the previous year. Column 10 supplies this information.

The exact amount of total accounts receivable is taken from the books and inserted in column 11.

Column 12 gives the total collections for the day on "accounts receivable," and is totaled every week and every month, keeping this information up to date.

Cash sales are entered every day in column 13, and charge sales in column 14. Both of these columns are totaled every week and every month.

When you take inventory, the amount of stock should equal "merchandise on hand" as shown on the sheet, but there is usually a shortage from goods which have gone out of the store without being paid for. Column XX gives the exact amount of this shortage.

In the "summary, LL," only five items of expense are given: "rent," "advertising," "general expense," "salaries, including owners'," and "freight and express." "General expense" includes heat, light, insurance, interest, charity, taxes, deliveries, supplies, depreciation, bad debts, and so on, most of which are tabulated separately in the cost-of-doing business tables given in the Appendix.

You will note, in using this inventory sheet, that all of the records for one day are given on the same horizontal line, which greatly simplifies the posting.

Many merchants who have used this system for a full year have sent in reports showing their percentages. The averages are as follows:

Average percentage of gross profit.....	29.1
Average percentage of expense.....	19.0
Average percentage of net profit.....	10.0
Average percentage of discount.....	3.3
Average percentage of net profit plus discount.....	13.1

We give these percentages to show what a guide to business this system has been to those who have installed it. After the details are worked out in the

beginning it is very simple to operate, and is a most effective means of showing you just where you stand.

A progressive grocer in the Middle West has worked out a record system which not only gives him the facts about his business, but gives them to him with the least cost and effort. He says: "We have two ledgers. In one we record the business of each day—credit sales, cash sales, amount received on account, credit purchases, cash purchases, and total amount of expense for the day. In the other we record all expense classified under the proper headings, and also the losses and gains.

"We found that we needed supplementary records which would quickly give us the following information: (1) a record of every article purchased from jobbers and manufacturers; (2) a record of every article purchased by our salesmen; (3) a record of every loss sustained through damaged and spoiled goods, and of gains from advances in price; and (4) a record of all money paid out for expenses. So we devised a set of four tickets—stock, purchasing, loss and gain, and paid-out tickets—which answers our purpose unusually well. Perhaps all of these tickets (copies of them are shown in Figure 36) are self-explanatory, except the loss and gain tickets.

"We use these tickets to record every loss and gain except those losses resulting from bad debts. These we charge direct to the 'bad debts' account in the ledger. Losses result from goods that are spoiled or damaged, or are sold at reduced prices or from bad debts and depreciation. Our salesmen carry the tickets with them at all times and are required to record every loss. If two dozen oranges spoil, a loss ticket is filled out. Every fact is recorded—the date, quantity, cause, regular retail price, and the loss.

"Gains are the result of advances in price. Whenever a price advances, all goods on hand affected are counted, and the difference between the old retail

price and the new retail price is recorded as a gain. All money received from the sales of boxes, barrels, and potato sacks is counted as a gain. All discounts and rebates are also counted as gains and are recorded direct to the gain column in the ledger.

"Losses and gains are, of course, figured at the retail selling price, and not at the cost price. When recording a loss, a line is drawn through the word "gain" and the reverse when recording a gain, so that the bookkeeper will make no mistake when entering it.

"By using these methods during the last two years, we increased our sales \$1,500 the first year, and \$2,200 the second year."

So much for records and accounting. However, we must always bear in mind that records are only a means to an end. You may spend hundreds of dollars in getting the right system and it may give you all the facts about your business—but, unless you make use of these facts in cutting down losses and expense and in increasing your net profits, the best accounting system ever devised will be absolutely worthless to you. Progressive retailers use their accounting systems to get the facts, then they use them, and then keep on using them at all times.

CHAPTER XII

HOW TO MAKE SURE OF A PROFIT EVERY DAY

RETAILING is undergoing an evolution. Years back we did not have rising costs to deal with. We did not have mark-down sales, such keen competition, and many other conditions which now decrease our profit margin. The tendency of the times seems to be one of pulling the profit and expense lines together. We must push them apart if we are to live in business very much longer."

This statement was made by a man who not so long ago was face to face with bankruptcy, a condition mainly due to fast-rising costs. But today he is one of the most successful small-store clothing merchants in the West.

"To my mind," he continues, "we can only push the profit and expense lines apart by knowing just where we stand all the time. Guesswork must be eliminated. Conditions are constantly changing. What was true yesterday may not be true next week.

"During this last year, when we had a shrinkage in volume—as did probably almost every business house in the country—we still showed a satisfactory profit. This would not have been possible had we merely guessed at facts."

"But just what profit am I entitled to, and how am I to know what a sound profit is?" you ask.

Profit is not a salary paid for managing a business, and it is not interest on investment. These two items would, for example, be correctly classified if a man

managed a store for another man, or invested his money in stocks and bonds instead of in a business. The other fellow under these circumstances, however, would be getting a profit—the owner's return for the risk he takes for being in business as an owner. The successful merchant realizes that a profit of this sort is due him, and he stands up steadfastly for it, in spite of temptation to cut prices.

Investigation revealed that a majority of retailers in all lines are unfair to themselves when it comes to figuring costs and profits. Many of them fail to charge their business with salaries for themselves. Others own their store buildings and charge themselves no rent. Very few charge off interest on their investment, or depreciation of fixtures and shrinkage of stocks. But all of these are true items of cost and must be added to the expense in order to arrive at a profitable mark-up for them.

One dealer who sells women's clothing reported that his yearly sales were \$100,000 and his cost of doing business 18%. His store is located in a live little city in the 25,000 population class and not over 100 miles from a large city. Competition also is very keen there.

The investigator felt sure that the merchant was low when he claimed a cost of doing business of only 18%. So he questioned him a bit further. He then discovered that the dealer did not figure in any salaries for himself and his three daughters, although his daughters helped greatly in his store. Moreover, he did not charge interest on the money he has invested in the business, or depreciation on old stock and store fixtures.

When the investigator remarked that he should charge these items among his costs of doing business, and several others that he is overlooking, the retailer would not admit the point.

"Why," he said, "I'd only be transferring money from one pocket to the other, and that's a fool's game."

**Percentages Based on Total Net Sales. Gross Mark-up,
Operation Costs, and Net Profit. Average for Each Line**

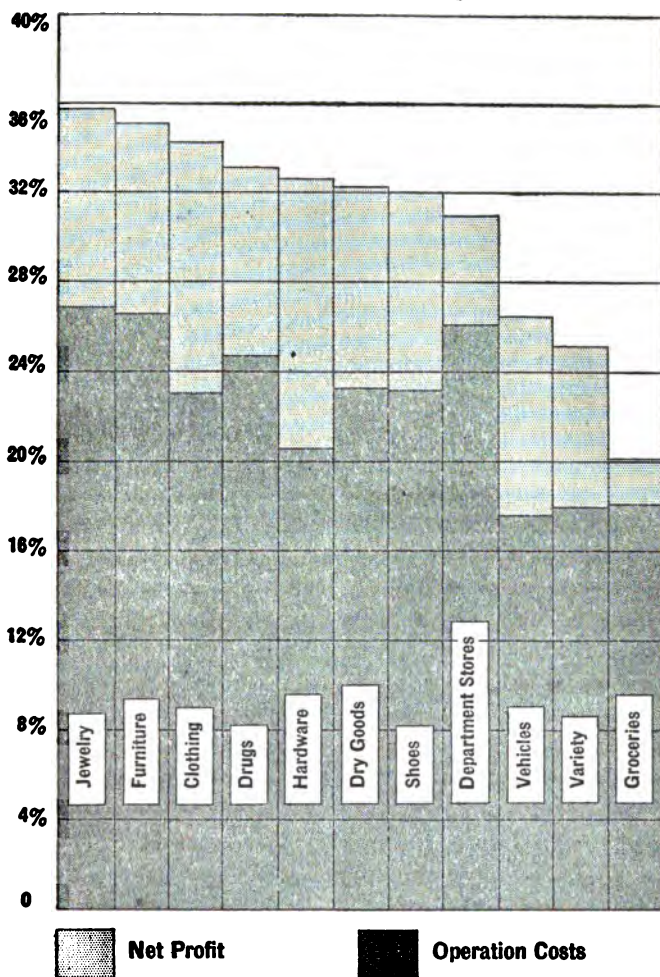


Figure 37: This chart shows the gross mark-up, cost of doing business, and net profits in 11 retail lines. Department stores and groceries show the smallest net profits, but these two lines have high rates of turnover. Note the high net profits for clothing and hardware.

And that retailer could not and would not see that instead of transferring money from one pocket to another he would be transferring it from the wrong side of the profit and loss account to his bank balance. He could not understand, either, that when he failed to charge up these legitimate costs of conducting his store, all of his competitors lost money, too, if they met his prices. Not only was he setting the skids for an old age without the income he deserved, but he was forcing that unpleasant fate upon some of his competitors.

Price-cutting always has been considered a merchant's best weapon in his fight with keen competition, and perhaps it always will be. If you are able to cut the corners of "overhead" expenses, if you are a good buyer and take your discounts, and therefore are able to take a lower mark-up without losing your profit, you most certainly have the right to give your customers the benefit of your good management.

PROBLEMS WHICH EVERY RETAILER HAS TO MEET
ARE ANSWERED HERE

But always there is the danger of cutting prices to meet competition without reducing the costs at the same time, and thus lowering your net profit. The man who does this, although he may have a good volume of sales, usually will lose in the end.

"There is only one way to know just how far you can cut your prices," declares one retailer. "You must know to a penny how much it costs to sell an article and the exact amount of profit you must make on it. Knowing these facts, you can easily arrive at the right amount for the mark-up."

Investigation indicates that a heavy percentage of retailers are not figuring their mark-up correctly. They often are using the buying price as a basis for one calculation, and the selling price for others. Either the buying or selling prices may be used, if the one

Name LePrie 3- \$100

Bought on hand Sold

Mo.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Debit	Credit
Feb										5	1	7	2	3			5	2		1	3			3	1					13	676	40	
Mar	10		4	1	6	1	2	6	2	1	2	3	11		1	3	3	2	3	9			3	2	3	1	1	7		38	977	86	
Apr		14	3	4						1	13	9		6	4	2	7	7	3	1	1		4	3	7	3	1		45	934	86		

Month of -

Total Sales	Day Exp	Total Exp.	E%P	Day Profit	Total Profit
1	368.70	54.09	146.30	114	14
2	629.13	23.72	56.46	80	18
3	1266.91	25.00	58.96	192	90
4	1778.33	10.06	69.26	157	41

Month of - Profit Record

Sales	Costs	Profits	%
1	415.62	276.88	138
2	488.83	329.90	159
3	1437.64	1015.91	421

Net Profit Plus Discount

Discount	Profit	Dis	Exp	Net loss	Net Gain
10 Aug	307	43	85	29	65
12 Sept	425	77	42	43	9
13 Oct	388	36	45	25	0
18 Nov	664	37	61	23	5
15 Dec	1221	29	44	44	3
Jan	423	24	40	6	36

Shrinkage: 3 01 26 8 5 7 1 2 5

599 01

8571.25

592.01

7979.24

Gain

Figure 38: In order to have his records in a convenient form, one retailer keeps them on cards of a handy size. From these cards he draws up charts, like the one shown in Figure 39. With records like these, profit leaks have small chance.

chosen is used consistently. However, most merchants think of expenses as a certain percentage of their sales. So, if the expenses are expressed in percentages of sales, it is necessary to use the selling price, and not the cost price, in figuring the percentage of profit.

For example, suppose a merchant whose doing-business costs are 25% of his sales, desires a net profit equal to 10% of his sales. Suppose he wants to find the selling price of an article which cost him \$1.30. He knows that the selling price represents all, or 100% of his income, and since the cost of doing business and the desired net profit amount to 35% of this, the cost of the article, which is \$1.30, can be nothing more or less than 65% of the desired selling price. If \$1.30 is 65% of the selling price, then 1% is $\frac{1}{65}$ of \$1.30 or \$0.02, and 100% is $100 \times \$0.02$, or \$2—the correct selling price. In this connection it may be well to remember that a mark-up of 50% on the buying price is only equal to a $33\frac{1}{3}\%$ mark-up on the selling price.

Mark-downs almost always are unpleasant, even if necessary, "evils"; yet it is often possible, by studying them with care, to learn lessons which may help you to avoid costly mistakes in the future. Here's what one merchandising expert says about them:

"I've always found it extremely important to record every mark-down, and to study the mark-down record before making further purchases. When I know how many times we have marked down goods in the different lines, we stop buying those that are not profitable.

"A careful analysis of the mark-downs reveals many secrets. It may show, for instance, that we had to mark down because first one and then another of our competitors offered the same goods at lower prices—so we probably paid too much in the first place. Again, we may discover that a house whose goods have heretofore been profitable, is now causing us a loss. On

some lines, we may find that several mark-downs have been taken because the goods were soiled. And that's usually a good argument in favor of protecting the merchandise better—perhaps it may mean the purchase of glass cases to prevent further losses.

"It has been my experience that if some stores specializing on style lines could prevent most of their mark-downs, no doubt they could double their dividends. Some mark-downs, of course, are unavoidable—but the number and amount usually can be reduced by writing down and carefully studying the reasons for reducing prices.

"Before going into the market to buy, a study of the record of mark-downs shows us what lines have been most frequently reduced. This analysis proves pretty clearly, other points being equal, whether or not the workmanship on certain lines was wrong, or whether prices were too high, and it is a tremendous help in buying our next stock."

Occasionally, too, we find a retailer using a mark-up which is too high. This mistake usually is just as disastrous as the low mark-up, and is usually found where the merchant does not know exactly what his mark-up should be.

HERE IS A MARK-UP PLAN WHICH INCREASED ONE
MERCHANT'S GROSS PROFIT OVER 3%

One retailer, for example, was losing trade and his costs were rising at the same time. He could not locate the trouble, so he went on a short tour of investigation and talked to merchants in other towns who had the same problems he faced.

He says as a result: "Before I went on my trip I would have branded a suggestion that I cut my mark-up as absolutely absurd. I would have held out for getting more by marking up more, not for getting more by marking less. But the retailers I visited quickly

convinced me that I had been making an exceedingly costly mistake.

"They awoke me to the fact that I was not getting a satisfactory net profit because I had marked up my goods so high that I was losing trade. They also convinced me that I was practically without any merchandise control.

"Therefore, the plan I had mapped out in detail before I returned to the store was simply a set system for merchandise control. It provided, first, that I take only a sufficient mark-up and hold to it; second, that I establish standard figures which would point out how much I could safely invest in each line; third, that I spread my purchases under these figures so as to keep my stocks always fresh.

"I was convinced that this plan was the only remedy for my difficulties. Later events proved that this conclusion was correct.

"On my way to the store the day I got back I looked in at several competitors' establishments. Goods that I would probably have marked at \$1, I saw selling in competitors' stores for 85 cents. Under these conditions, I knew I finally would be forced to mark down below 85 cents—not to meet competition, but to get rid of the goods.

"The cream of the trade, of course, supplied itself from my competitors at 85 cents. When I cut below that figure in order to get any sort of volume of sales, I simply induced customers to lay in a surplus stock at the prices I offered—prices attractive to them, but ruinous to me. Provided with the surplus goods, these customers then were out of the market for abnormal periods. This condition was the explanation of my dwindling profits.

"As soon as I reached the store I gave orders that the retail prices be marked on the invoices for a month and then tabulated so that I would have the percentage

of mark-up. I had no record of mark-downs—I only knew the original costs. The bills were merely O. K.'d by me and the office had no record of the percentage of mark-ups.

"I had expected a poor showing, but I could hardly credit the figures handed to me. They showed an average mark-up of over 42% on all stocks, including groceries. And I was making only 24% gross!

"I was now sure of my ground and applied my remedy without hesitation. I ordered that the average mark-up be held in the vicinity of $33\frac{1}{3}\%$. It was not long before my gross was running between 27.5% and 27.8%."

Costs have risen so rapidly and competition has become so keen that merchants have found it an absolute necessity to keep a close watch for profit leaks, in order to keep in the race at all. The most successful merchant is the one who can do business the cheapest—for cutting off a bit from the expense total, of course, means widening the profit margin. And the profit margin, as we all know, supplies the wherewithal for keeping up with and ahead of higher costs.

CHAPTER XIII

WAYS TO TURN YOUR STOCK FASTER

THERE were 22,000 business failures last year. Only 2,000 of these were large concerns, so the remaining 20,000 indicate failures of smaller businesses, many of them retailers.

With such a business death rate staring one in the face, it is logical, isn't it, that every business man know his exact costs, his profit, and his rate of turnover at all times?

How can the rate of turnover be increased? Investigation indicates that this result can be obtained in two ways: (1) by decreasing the average stock without decreasing the sales volume; and, (2) by increasing the sales volume without proportionately increasing the average stock.

But before we take up these two methods, it will be well for us to know how to figure the rate of turnover correctly. Sometimes rates of turnover are secured by dividing the average stock at cost into the sales. These results, however, are not true stock or merchandise rates of turnover, and much confusion results if they are considered as such. Stock or merchandise rate of turnover can be secured only by dividing the average stock at selling prices into the sales at retail, or what will give practically the same result, dividing the average stock on hand at cost prices into the total sales at cost prices.

Figures secured by dividing average stocks at cost prices into sales at retail might be called capital rate

of turnover figures or merchandise capital rates of turnover, but they are not stock rates of turnover.

Once he has secured turnover and cost figures for his store, it is not difficult for the retailer to demonstrate the added profit which an extra turn will bring. The net gains climb when the expenses are cut, the turnovers increased, the totals owing from customers reduced, or the gross profits lengthened. As soon as larger stocks accumulate, customers neglect to pay, or expenses increase, the net profits dwindle, and the merchant is headed on the road to ruin.

To show these conditions, it is only necessary to express the customers' balances and the stocks as equal to so many average days' sales. Your sales, at cost, reach \$90,000 a year, or \$250 a day, let us suppose. Then, if your average stock costs \$7,500, it equals 30 days' sales, and the total due from customers, 15 days', if we take it as \$3,750. Also, if your gross profit is 25% and your cost of doing business 20%, the net profit for the period will equal the difference between these two percentages, divided by the sum of the stock and the customers' accounts due, expressed in days, and multiplied by 360. Or, in figures:

$$\text{Net profit on your capital for the year} = \frac{25-20}{30+15} \times 360, \text{ or } 40\%.$$

If the stock is increased to a 60 days' supply, the turnover lessens, and the net profit at once falls:

$$\text{Net profit on your capital for the year} = \frac{25-20}{60+15} \times 360, \text{ or } 24\%$$

But if you buy closer and push the goods on the shelves down to a 15 days' stock, the increased turnover carries the net profit upward:

$$\text{Net profit on your capital for the year} = \frac{25-20}{15+15} \times 360, \text{ or } 60\%.$$

Although these relations of profits to turnovers are universal, individual conditions vary the number of turns secured in specific stores and lines. The standard given in this chapter therefore requires modification when local influences are unusual. The turns obtained in a large department store and in a small country general store will, of course, differ.

In order to watch turnover with any degree of accuracy, retailers agree that the store concerned must have a perpetual inventory system — one like those we have previously discussed. Without a perpetual inventory, it normally is almost impossible for a merchant to know how fast his stocks are turning, which are the slow-moving lines, and how much he can safely buy.

**THESE METHODS SHOW HOW THE RATE OF TURNOVER
OFTEN CAN BE INCREASED**

The first method of increasing the rate of turnover we laid down is by decreasing the amount of stock on hand without decreasing the sales. Almost every store carries too much stock for its volume of sales, it was found: After studying his inventory and stock records, the merchant usually can easily locate the fast-turning lines and the "stickers." Then he can push the quickly turning lines, and discontinue the slow ones as far as possible.

"We were carrying altogether too much merchandise," says one clothier. "I had records of the departments' sales. With these before me I fixed buying quotas for each department, after taking into consideration the stock on hand. Gradually I cut down the authority to buy, and thus eliminated the danger of 'too many cooks.'

"The salesmen soon saw for themselves that they could get along all right—and even do more business—on less stock. I also discovered from my stock cards that many lines were lying idle. I investigated and

found that there was no longer a demand for some of them. Some women's goods, for example, had passed from the field of the clothing store to that of the department store.

"Discretion here certainly was the better part of valor. These lines were not paying their way—so we dropped them flat. After analyzing my stock cards more closely, I decided that we were overloaded on the better grades of suits. I pointed out to the salesmen the advantages of selling these grades quickly—more profits for the store, larger sales for them, greater satisfaction for the customer.

"I put a bonus on each suit or overcoat marked at above \$25. Those suits simply 'walked' out. Instead of selling a man a \$15 or a \$20 suit or overcoat, our salesmen bent their efforts to sell him a \$25 grade, or perhaps one of a still higher quality and price."

Another merchant discovered that he was carrying too much stock in his suit department for the sales it brought in. His suits were priced at \$12.50, \$13.50, \$15, \$16.50, \$18, \$20, \$22.50, \$23.50 and \$25—nine prices—and when he had tabulated the sales for three years by prices, he found that almost all sales had been obtained at four prices—\$12.50, \$15, \$20, and \$25.

That made it clear that if he eliminated all of the nine prices, except these four, he could put a larger selection into the four live prices and at the same time reduce his stocks from 35% to 40%. He did that—the result was a faster rate of turnover and more money in the bank. When the end of the season comes he is no longer obliged to close out at a loss the slow movers, the \$13.50, \$16.50, \$18, \$22.50, and \$23.50 lines.

Buying—always a big and vital problem—is so closely associated with turnovers of stock that it is almost impossible to separate them in discussion. As a general rule, if your buying is right your rate of turnover will be right.

Investigation indicates that there are few instances of slow rates of turnover which are not due in some measure to overbuying. Salesmen often are able to persuade a merchant to buy some article which is sure to prove a "sticker" or to load him up with goods by offering him a quantity discount. The merchant often fails to see how he loses the discount he has received many times over by having his money tied up in this way.

"In order to keep my stock moving," declares an eastern shoe dealer, "I find it necessary to go through my stock twice a year and clean out the stickers. If I can't get rid of them myself, I dispose of them to a job lot dealer.

"Although the loss from this clearing-out process may amount to \$100 or over, I take my medicine and then charge off so much a month into my expenses to make up for it. This charge is a sort of an insurance against my rate of turnover being slowed down by poor judgment and short lines. Of course, I may show that much less profit, but I make up for it by being able to buy fresh lines which expand my business.

"We have special narrow alleys of stock racks at the side walls and into these we throw all short lines. The salesmen know that anything that gets into these side alleys must be sold at once and they quickly clean them out. Merchandise must be bought to sell quickly nowadays, not to be kept—stocks must be turned rapidly. It's merely a question of buying carefully and selling quickly."

Almost every store can increase its volume of sales without increasing its stock, many retailers declare. This can be done by intensive sales campaigns to sell more goods and to increase the rate of turnover. Plans of this type are discussed in Chapters III and IV.

Another important factor in increasing turnover is a close study of the stock carried in relation to the

store's common demands. It is agreed that the merchant must know his customers' tastes and must buy accordingly. For instance, if he is located in a high-class section he must carry high-grade stock.

One man who owns a prosperous vehicle and implement store says: "The investigation which I made before going into business for myself convinced me that many merchants in my line confine themselves too much to staple lines. I decided that the rank and file of retailers do not make the most of specialties.

"So, from the first I made a drive both to carry full lines and also to push specialties. I had a favorable location and two 12-foot plate glass windows. I determined to use these windows in carrying out the different manufacturers' advertising plans.

PLANS LIKE THESE ARE VALUABLE IN LOCATING
PROFITABLE LINES, YOU'LL AGREE

"My initial step was to hang in the writing room of the local hotel a glass sign that read:

" 'The Bamlene Implement and Vehicle Company is located at 241 Main Street, and carries stocks of hardware, automobile accessories, electrical goods, and kindred lines. It will be pleased to have traveling men call. We cannot buy from everyone, but we will give you courteous treatment and your lines careful attention every time you call.'

"My experience on the road told me that many of us miss promising new lines, good ideas, sound suggestions, and attractive bargains by not going a little more than half way when dealing with traveling men. It is easy to make a wide-awake road man transfer to you all the good ideas he encounters along his route. So I put up the sign in order to get my share.

"The first specialties that I stocked heavily were electrical supplies. There was local competition, but I decided to meet it and to go it one better. I did.

"At about the time I opened my store, the manufacturer of a nationally advertised line of electric flashlights was putting some hard work into starting his product. The line had a utility appeal and looked good to me. The local competition offered only about two sizes of flashes and a very small stock of batteries.

"I took every size made by this manufacturer, and arranged with him to send me batteries so that a fresh supply would reach me every Saturday morning. I knew the danger of overstocking on batteries to such an extent that they grow old and fail to give service.

"Now I annually buy about \$300 worth of this manufacturer's line. He cooperates with me on window dressing and advertising. I give this specialty as much attention as any line in my store. The local competition has entirely ceased, and my rate of turnover is a rapid one."

"I have three policies which have made my stocks turn faster," reports a progressive jeweler. "They are: (1) locating and pushing the fast-turning lines; (2) holding down stocks; and, (3) cooperating with my competitors.

"First, then, come ways to put your finger on the fast-turning lines in order to push them. In my stocks as in most, there are certain staples which must be carried almost at a loss. My diamonds and silverware in a way correspond to the grocer's sugar. Stocks of this type usually are a necessary evil and the best that can be done is to keep them turning as fast as possible.

"But compensations accompany this necessary evil—fast-turning lines. The problem is to locate them. I do this by keeping a sort of perpetual inventory in each stock drawer or case. These are simple cards on which are marked the initial stocks on hand, the additional purchases, and the sales.

"The value of these types of inventories, which are probably kept by all retailers in some shape or other,

depends almost entirely on the use made of them. They may be instrumental in giving you what amounts to a scientific merchandising plan, and they may stop at merely showing you that it is time to send in another order for goods.

"When carefully studied they mean as much to the welfare of a business as temperature charts mean to a fever patient. Sit down with them for an hour or two each week. Consider whether or not it would have been possible to do business without a few of the orders these cards show.

"Try getting along with a little less and see how it works out. Sometimes when it seems all poppycock to reduce stocks, an experimental reduction will show that overstocking has become a habit.

"The road to a rapid-turning stock is not without obstacles, however. I know from experience that it is not as easy as it sounds. But a fast-turning stock usually means more attractive profits. And bread and butter earnings normally are not to be made without effort and hard work.

"One condition that always threatens to swamp earnest effort to speed up the number of stock turns is the consumer's desire for larger selections and greater price ranges. Possibly this is partially the fault of the distributors, since they have offered the consumer more and more each year. But competition has had the whip hand over us. And, whatever the cause, the condition still exists.

"It is remarkable what can be done if we once set ourselves to do it. Six years ago my average stock was only \$5,000 less than my annual sales. Today my yearly sales are about \$17,000 ahead of my average stock.

"I have increased my turnover rate 25%. There is no secret about it—I have described exactly how I did it. I located the fast-turning lines by studying

the simplest of simple perpetual inventories and then forcing myself to consider the possibility of reducing every order I filled out.

"It goes without saying that if you find a line which turns fast and neglect to push it, you have taken only half the opportunity open to you. It is when the fast lines go rolling over faster and faster that the profits increase into attractive bank balances.

"Looking back over 12 or 15 years you will discover that you paid the manufacturer or wholesaler less for merchandise than you are paying today. In those days the cost of doing business averaged from 12% to 15% as a rule.

"Today costs are practically doubled. And this difference measures pretty accurately the loss retailers must take unless they increase their rates of turnover. When costs rise with selling prices fixed, merchants must buy and sell on narrower margins of profit, but if the stock is turned more rapidly, the little profits may equal or even exceed the profit received from fewer turns with wider margins.

"Quick sales at small profits—that is the modern idea. It no doubt is better to get three sales at 5% net, as long as you cover your costs, than it is to make one at 10%. And the merchant who is able to make his money work fast for him has found a large part of the answer to rising costs."

APPENDIX

TO HELP YOU FIGHT RISING COSTS

WITHOUT some sort of costs the business man is like a ship captain unable to find his latitude. Without some knowledge of other men's costs, even though he has costs of his own, he is like a ship captain who knows his latitude but not his longitude. Without some idea of the costs other men have been able to attain—and the methods by which they attained them, he is like a captain who has his latitude and longitude, but is unable to find out the shortest course to his destination.

This information is given on the following pages where you will find, in concrete form, the cost-of-doing-business figures of 1,219 retail concerns. These figures were collected during a period affected by abnormal changes, of course, and naturally the question of whether or not they nevertheless hold good will occur to you, because you will have in mind the radical influences on prices during and after the Great War. This note is inserted to answer any questions you may have on this point.

The Bureau of Business Standards of the Shaw Publications has been constantly watching the effect of current economic changes on the figures. As a result of this observation, the Bureau has decided that the figures remain indicative and that you will find them as useful now as when they were first collected. Otherwise the Bureau would have supplied new figures from its current studies.

APPENDIX

The explanation is that the cost figures are expressed as percentages of the sales. The recent increases in store costs have been accompanied by greatly increased sales, in part at least springing from the higher prices at which the usual articles in stock must be sold. So, as it costs more to run a store, the percentages of cost (expressed as percentages of the sales), have held about the same. As a matter of fact, in stores of a certain type, particularly department or "general" stores in cities of around 30,000 to 50,000, increases in the cost of doing business expressed as percentages of the stores' sales have been very small indeed.

Here is an instance which indicates how accurate the Bureau has been in its conclusion that these cost figures still serve the purpose for which they were collected. The Bureau of Business Research of the Harvard Graduate School of Business Administration recently announced the results of an investigation into the current cost of selling hardware at retail. It placed the common cost at 20.6% of the sales. On another page, you will find the figures in this book place it at 20.4%. You see, the percentages have remained about the same while the actual costs changed under them.

Of course, because the cost percentages in this book remain indicative, is no reason to conclude that rising costs are no longer a problem. Of course, it really costs more to sell—much more. The explanation is merely that the percentages figured on the sales cloak the higher costs. In other words, this book should be just what you want now—it will help you ferret out the hidden cost increases and suggest ways to meet them. On page xxiv is a blank form which will help you in figuring your own costs. Bear in mind that costs are affected by current conditions, and make your calculations accordingly.

COST AVERAGES AND EXPENSES FROM THE BOOKS OF 1,219 RETAIL CONCERNS

"Costs of doing business" in these tables exclude freight and cartage, losses from mark-downs, and gains through discounts. "Salaries" indicates direct sales payrolls, in some instances including the time spent by the proprietor in selling. "Delivery" and "heat and light" include payroll and upkeep charges. All irregular stock losses and all depreciation are listed under "depreciation and shrinkage." Items which cannot be allocated, administrative and buying salaries, indirect payrolls and investment charges make up "general expense." All figures refer to net sales. Add 1.5% for Pacific Coast, southern and mountain states; and 2% for cities over 400,000. Deduct 0.5% for Atlantic Coast and 3% for rural districts.

DRY GOODS STORE COSTS

The cost of doing business itemized below is the average for the United States as found by investigation. Note (1) that stores handling the cheaper stocks have been eliminated; (2) that freight and cartage charges are not included.

Rent.....	3.2%
Salaries.....	9.7%
Advertising.....	1.7%
Heat and light.....	0.5%
Delivery.....	1.0%
Supplies.....	0.4%
Insurance and taxes.....	1.1%
General expenses.....	4.2%
Depreciation and shrinkage.....	1.1%
Bad debts.....	0.2%

Total percentage of expenses
to sales.....23.1%

A SMALL DRY GOODS STORE

Investigation showed that on the average, small dry goods stores pay out for their expenses 16.21% of their sales. Note that this typical middle-western small store: (1) makes no deliveries; (2) does not use expensive selling space. Notice, also, the 8% difference between these costs and those in the next table.

Rent.....	\$ 731.12 or 2.9%
Salaries.....	2,546.31 or 10.1%
Advertising.....	302.53 or 1.2%
Heat and light.....	100.84 or 0.4%
Delivery.....	
Supplies.....	50.42 or 0.2%
Insurance and taxes.....	201.69 or 0.8%
General expenses.....	50.42 or 0.2%
Depreciation and shrinkage.....	100.84 or 0.4%
Bad debts.....	25.21 or 0.1%

Total expense.....\$4,109.38 or 16.3%

AVERAGE DRY GOODS STORE

This store is in the Southwest. The owner reports that he secures four turnovers a year through the store at a net mark-up of 28.9%. Note how closely these actual figures check with the averages for the United States given on the left.

Rent.....	\$1,550.06 or 3.1%
Salaries.....	4,800.19 or 9.6%
Advertising.....	750.03 or 1.5%
Heat and light.....	200.01 or 0.4%
Delivery.....	450.02 or 0.9%
Supplies.....	200.01 or 0.4%
Insurance and taxes.....	550.02 or 1.1%
General expenses.....	2,200.09 or 4.4%
Depreciation and shrinkage.....	700.03 or 1.4%
Bad debts.....	150.01 or 0.3%

Total expense.....\$11,550.47 or 23.1%

A LARGER DRY GOODS STORE

Average dry goods stores securing annual sales of \$50,000 pay, the investigation established, expenses of 24.7%. Note (1) the high advertising percentage; (2) the rent.

Rent.....	3.4%
Salaries.....	9.9%
Advertising.....	3.1%
Heat and light.....	0.9%
Delivery.....	1.4%
Supplies.....	0.7%
Insurance and taxes.....	1.2%
General expenses.....	2.2%
Depreciation and shrinkage.....	1.4%
Bad debts.....	0.2%

Total expense.....24.4%

APPENDIX

GROCERY STORE COSTS

Analyses of the expenses of groceries scattered from New York to Oregon fixed this average cost of doing business. Note (1) that groceries drawing trade from customers with either small or large incomes are not included; (2) that, since the average mark-up is 19.91% of the selling prices, the turnovers are of necessity rapid and carry a low net profit.

Rent.....	3.07%
Salaries.....	8.46%
Advertising.....	0.83%
Heat and light.....	0.39%
Delivery.....	2.53%
Supplies.....	0.37%
Insurance and taxes.....	0.58%
General expenses.....	0.45%
Depreciation and shrinkage.....	0.76%
Bad debts.....	0.47%

Total percentage of expense to sales.....17.91%

A SMALL CASH GROCERY

It is natural that among groceries handling for cash only a trade drawn from modest incomes, investigation should fix an expense percentage—14.8 %—below the average. These figures from a city store represent this type of grocery. Note (1) that there is no delivery expense or loss from bad debts; (2) that a good location is, however, rented.

Rent.....	\$ 291.92 or 2.7%
Salaries.....	1,048.76 or 9.7%
Advertising.....	21.62 or 0.2%
Heat and light.....	32.44 or 0.3%
Delivery.....	
Supplies.....	21.62 or 0.2%
Insurance and taxes..	43.25 or 0.4%
General expenses.....	21.62 or 0.2%
Depreciation and shrinkage.....	86.50 or 0.8%
Bad debts.....	

Total expense.....\$1,567.73 or 14.5%

HARDWARE STORE COSTS

This is the standard cost of retailing hardware in America as fixed by analyses of typical stores in Canada and the United States. Note that the business takes healthy net profits but does not secure as many sales as stores handling lines involving lower average costs. Reports indicate that often concentration on profitable repairs results in dingy hardware selling floors and lost sales.

Rent.....	3.4%
Salaries.....	10.1%
Advertising.....	1.1%
Heat and light.....	0.4%
Delivery.....	0.9%
Supplies.....	0.6%
Insurance and taxes.....	0.1%
General expenses.....	2.0%
Depreciation and shrinkage.....	0.5%
Bad debts.....	0.3%

Total percentage of expense to sales.....19.4%

AN AVERAGE GROCERY STORE

In a middle-western town of 43,000, this grocery handles annual sales of \$50,000 at an expense close to the average. Note (1) that advertising costs less than in other lines; (2) that delivery expenses amount to almost as much as the rent.

Rent.....	\$2,256.95 or 3.3%
Salaries.....	4,067.09 or 8.1%
Advertising.....	351.48 or 0.7%
Heat and light.....	251.05 or 0.5%
Delivery.....	954.01 or 1.9%
Supplies.....	150.63 or 0.3%
Insurance and taxes..	200.84 or 0.4%
General expenses.....	150.63 or 0.3%
Depreciation and shrinkage.....	301.37 or 0.6%
Bad debts.....	150.63 or 0.3%

Total expense.....\$8,834.58 or 16.4%

AN AVERAGE GROCERY STORE

These figures are from an Ohio store which has an annual sales volume of a little over \$10,000. The average rate of turnover is 8. Note that there are no supply costs.

Rent.....	\$ 264 or 2.5%
Salaries.....	864 or 8.3%
Advertising.....	24 or 0.2%
Heat and light.....	78 or 0.8%
Delivery.....	120 or 1.2%
Supplies.....	
Insurance and taxes....	36 or 0.3%
General expenses.....	32 or 0.3%
Depreciation and shrinkage.....	60 or 0.6%
Bad debts.....	60 or 0.6%

Total expense.....\$1,538 or 14.8%

AN AVERAGE HARDWARE STORE

In an Indiana town of about 5,000, a hardware store with sales of \$45,000 a year pays these expenses, which are close to the standard. Note (1) that salaries are excessive because sons of the owners work in the store at abnormal wages; (2) that the losses from bad debts are unusually high.

Rent.....	\$1,306.61 or 2.9%
Salaries.....	5,042.35 or 11.2%
Advertising.....	405.20 or 0.9%
Heat and light.....	225.10 or 0.5%
Delivery.....	270.13 or 0.6%
Supplies.....	180.08 or 0.4%
Insurance and taxes..	495.23 or 1.1%
General expenses.....	360.17 or 0.8%
Depreciation and shrinkage.....	225.10 or 0.5%
Bad debts.....	180.08 or 0.4%

Total expense.....\$8,689.05 or 19.3%

TO HELP FIGHT COSTS

CLOTHING STORE COSTS

This average cost of selling clothes at retail in the United States was set by the investigation's analyses of actual figures from all sections of the country. Note that stores in large cities, for which a separate cost standard of 30.12% was fixed, are not included; (2) that the advertising expenditure is the highest scheduled in the standards, if furniture and department stores are excepted.

Rent	3.0%
Salaries	9.5%
Advertising	3.2%
Heat and light	0.6%
Delivery	0.7%
Supplies	0.4%
Insurance and taxes	1.1%
General expenses	2.3%
Depreciation and shrinkage	2.2%
Bad debts	0.3%
Total percentage of expense to sales	23.3%

DRUG STORE COSTS

Costs of doing a retail drug business were averaged to this standard. Note (1) that, if department, furniture, and jewelry stores are not considered, higher rents are paid than in any other standard retail activity; (2) that soda fountain profits normally make it possible to pay the high rents; (3) that many specialties not connected with old line drug stocks are now used to build net returns above the rising expenses.

Rent	4.0%
Salaries	10.9%
Advertising	1.8%
Heat and light	0.7%
Delivery	0.7%
Supplies	0.4%
Insurance and taxes	1.2%
General expenses	4.5%
Depreciation and shrinkage	0.5%
Bad debts	0.2%
Total percentage of expense to sales	24.9%

SHOE STORE COSTS

This is the itemized average cost of retailing shoes set for the country by the investigation. Note (1) that rents are high; (2) that salaries are also heavy, proportionately. These conclusions, therefore, follow: (1) that, under normal mark-ups, net profits are weak; (2) that, hence, your success demands closer buying in styles.

Rent	3.2%
Salaries	10.5%
Advertising	1.7%
Heat and light	1.1%
Delivery	0.5%
Supplies	0.3%
Insurance and taxes	1.0%
General expenses	4.4%
Depreciation and shrinkage	0.5%
Bad debts	0.1%
Total percentage of expense to sales	23.3%

AN AVERAGE CLOTHING STORE

This cost of doing business is paid by a clothier in the Middle West who secures annual sales of \$60,000. Note (1) that the rent is low because an entire building was leased and improved until space not needed for selling could be subleased at a profit; (2) that the cost of heating is reduced by supplying tenants; (3) that these savings are thrown into the advertising appropriation.

Rent	\$1,322.24	or	2.2%
Salaries	5,489.39	or	9.1%
Advertising	2,043.47	or	3.4%
Heat and light	180.31	or	0.3%
Delivery	360.61	or	0.6%
Supplies	120.20	or	0.2%
Insurance and taxes	661.12	or	1.1%
General expenses	1,081.84	or	1.8%
Depreciation and shrinkage	1,322.24	or	2.2%
Bad debts	240.41	or	0.4%
Total expense	\$12,801.73	or	21.3%

AN AVERAGE DRUG STORE

The expenses here itemized are paid by a druggist who handles annual sales of \$20,000 in an Ohio city. They are below the average for the country, given to the right. Note (1) that the supply costs are included in the general expenses, which are almost 3% lower than the average.

Rent	\$ 900	or	3.0%
Salaries	2,730	or	9.1%
Advertising	780	or	2.6%
Heat and light	300	or	1.0%
Delivery	180	or	0.6%
Supplies			
Insurance and taxes	360	or	1.2%
General expenses	540	or	1.8%
Depreciation and shrinkage	660	or	2.2%
Bad debts			

Total expense.....\$6,450 or 21.5%

AN AVERAGE SHOE STORE

These figures from a New England shoe store fit the average closely. Three and one half turnovers are made under a mark-down loss of about 9%. Therefore, the owner is forced to realize through the stock a mark-up close to 35% in order to get a sound net profit.

Rent	\$ 778.13	or	3.1%
Salaries	2,786.21	or	11.1%
Advertising	376.51	or	1.5%
Heat and light	225.91	or	0.9%
Delivery	75.30	or	0.3%
Supplies	100.40	or	0.4%
Insurance and taxes	301.21	or	1.2%
General expenses	1,029.14	or	4.1%
Depreciation and shrinkage	150.61	or	0.6%
Bad debts	25.10	or	0.1%

Total expense.....\$5,848.52 or 23.3%

APPENDIX

FURNITURE STORE COSTS

The standard here given is the average found after analysing the cost of retailing furniture in the United States. Note (1) that the bulky nature of the stocks drives rent higher than in any other itemised national average, those for department and jewelry stores excepted; (2) that general expenses are unusually heavy, partly on account of the incidental repairing necessitated by poor packing.

Rent.....	5.0%
Salaries.....	9.7%
Advertising.....	2.7%
Heat and light.....	0.9%
Delivery.....	0.9%
Supplies.....	0.4%
Insurance and taxes.....	1.6%
General expenses.....	1.1%
Depreciation and shrinkage.....	2.2%
Bad debts.....	1.9%

Total percentage of expense to sales.....26.4%

JEWELRY STORE COSTS

Jewelers, investigation showed, pay the highest average retail expenses, if some of the largest department stores are overlooked. The standard is here given. Note (1) that the turnovers secured under these high costs are slow; (2) that, therefore, net profits are often unsatisfactory, even when heavy net mark-ups are realised; (3) that, hence, safe novelties and healthier returns from repairs are needed.

Rent.....	4.9%
Salaries.....	10.9%
Advertising.....	2.9%
Heat and light.....	0.7%
Delivery.....	0.1%
Supplies.....	0.9%
Insurance and taxes.....	1.4%
General expenses.....	3.9%
Depreciation and shrinkage.....	0.9%
Bad debts.....	0.3%

Total percentage of expense to sales.....26.9%

VEHICLE STORE COSTS

Here is the percentage pointed by the investigation as the average cost of doing a vehicle and implement business in the United States. Note that salaries are proportionately high because sales are not large enough, individually, to counterbalance their infrequency.

Rent.....	2.1%
Salaries.....	9.4%
Advertising.....	1.2%
Heat and light.....	0.5%
Delivery.....	1.1%
Supplies.....	0.4%
Insurance and taxes.....	1.1%
General expenses.....	0.7%
Depreciation and shrinkage.....	0.6%
Bad debts.....	0.3%

Total percentage of expense to sales.....17.4%

AVERAGE FURNITURE STORE

These figures from a store which sells \$100,000 worth of furniture a year in the South are typical of the average established for the line in this country. Note that the loss from bad debts is the heaviest encountered among the costs assembled from stores operating under normal conditions.

Rent.....	\$5,511.56	or	5.5%
Salaries.....	8,317.60	or	8.3%
Advertising.....	2,906.15	or	2.9%
Heat and light.....	801.70	or	0.8%
Delivery.....	1,102.33	or	1.1%
Supplies.....	501.06	or	0.5%
Insurance and taxes.....	1,402.97	or	1.4%
General expenses.....	1,803.82	or	1.8%
Depreciation and shrinkage.....	1,904.03	or	1.9%
Bad debts.....	1,202.54	or	1.2%

Total expense....\$25,453.76 or 25.4%

AN AVERAGE JEWELRY STORE

In Kansas one jeweler's books show these expense payments. There is not an item in which they vary from the national average by more than 2%. An Indiana jeweler has cut his payroll to 5% by advertising his repair bench and dividing the clerks' time between it and the counters.

Rent.....	\$1,080.40	or	3.6%
Salaries.....	3,361.23	or	11.2%
Advertising.....	1,050.38	or	3.5%
Heat and light.....	180.07	or	0.6%
Delivery.....	30.01	or	0.1%
Supplies.....	270.10	or	0.9%
Insurance and taxes.....	540.20	or	1.8%
General expenses.....	630.23	or	2.1%
Depreciation and shrinkage.....	360.13	or	1.2%
Bad debts.....	90.03	or	0.3%

Total expense....\$7,592.78 or 25.3%

AN AVERAGE VEHICLE STORE

These figures are from the books of a store selling \$57,600 worth of vehicles and implements annually in an eastern city of 33,000. They total to within 1% of the average for the country, given to the left.

Rent.....	\$1,094.63	or	1.9%
Salaries.....	5,818.81	or	10.1%
Advertising.....	633.73	or	1.1%
Heat and light.....	345.67	or	0.6%
Delivery.....	518.51	or	0.9%
Supplies.....	230.45	or	0.4%
Insurance and taxes.....	460.90	or	0.8%
General expenses.....	230.45	or	0.4%
Depreciation and shrinkage.....	403.28	or	0.7%
Bad debts.....	115.22	or	0.2%

Total expense....\$9,851.65 or 17.1%

TO HELP FIGHT COSTS

VARIETY STORE COSTS

Typical variety stores in the United States were found to be paying, when averaged, these expenses. Note (1) that rents rank high because good locations are usually demanded; (2) that the advertising expenditure includes "leaders" put on the counters at a loss to attract trade; (3) that, since the turnover is rapid and the cost of doing business low, this line is profitable under a suitable volume and mark-up.

Rent.....	4.4%
Salaries.....	8.5%
Advertising.....	1.9%
Heat and light.....	0.8%
Delivery.....	
Supplies.....	0.2%
Insurance and taxes.....	1.0%
General expenses.....	0.9%
Depreciation and shrinkage.....	0.1%
Bad debts.....	

Total percentage of expense to sales.....17.8%

AN AVERAGE VARIETY STORE

These figures from a variety store in a town of 2,000 check well with the average for the country. The sales total about \$11,000 a year. Note (1) that there are no delivery charges and no losses from defaulted debts; (2) that this store can net 50% on the investment under a net mark-up of 23% through 10 turnovers.

Rent.....	\$ 451.49	or	4.1%
Salaries.....	980.07	or	8.9%
Advertising.....	165.18	or	1.5%
Heat and light.....	19.11	or	0.9%
Delivery.....			
Supplies.....	22.02	or	0.2%
Insurance and taxes..	99.11	or	0.9%
General expenses....	55.06	or	0.5%
Depreciation and shrinkage.....	11.01	or	0.1%
Bad debts.....			

Total expense.....\$1,803.05 or 17.1%

Retailers go to the sheriff at the rate of 30 a day because they guess. Here are the proportions of the retailers in three places who are actually guessing today about their cost of doing business:

Town of 5,000 (Indiana).....	95%
City of 30,000 (Illinois).....	39%
City of 26,000 (Illinois).....	29%

Costs of doing business and profits from 38 stores are analyzed in the tables which follow. They were collected by the National Dry Goods Association. It is exceedingly significant that the average cost of doing business is set at 23.8% of the sales, while SYSTEM's national investigation, made independently, had previously fixed the average at 23.05%. A number of interesting facts will be brought out by a few moments' study of these figures. The averages for all of the stores are: gross profit, 30.45%; net profit, 6.45%; cost of doing business, 23.8%. It should be understood that these percentages only refer to dry goods stores. The figures that established these averages were carefully gone over and audited by experts.

APPENDIX

GROSS PROFITS

(States with Five Highest Percentages)

Kentucky.....	33.86%	Virginia.....	31.41%
Minnesota.....	33.30%	Alabama.....	30.50%
Tennessee.....	33.12%		

AVERAGE COSTS OF DOING BUSINESS

(States with Six Highest Average Percentages)

Tennessee.....	27.34%	Nebraska.....	26.83%
Indiana.....	27.00%	Alabama.....	25.94%
Minnesota.....	27.00%	Texas.....	25.58%

AVERAGE NET PROFITS

(States with Six Highest Average Percentages)

Utah.....	11.00%	Louisiana.....	9.40%
Kentucky.....	10.66%	Michigan.....	8.00%
West Virginia.....	9.80%	New York.....	6.00%

AVERAGE GROSS PROFITS

(By Population and Locality)

75,000 to 100,000 population.....	33.23%
15,000 to 25,000 population.....	31.29%
100,000, and over, population.....	31.07%
50,000 to 75,000 population.....	30.20%
25,000 to 50,000 population.....	30.00%
Farming districts.....	31.80%
Manufacturing and farming localities.....	30.00%
Resorts.....	29.95%
Manufacturing centers.....	29.88%

AVERAGE COSTS OF DOING BUSINESS

(By Population and Locality)

300,000, and over, population (lowest).....	21.25%
75,000 to 100,000 population (highest).....	27.03%
Shipping centers.....	24.88%
Farming districts.....	24.52%
Resorts.....	24.00%
Manufacturing centers.....	23.22%

AVERAGE NET PROFITS

(By Population and Locality)

300,000, and over, population (highest).....	8.40%
100,000, and over, population (lowest).....	5.91%
Farming districts.....	7.28%

TO HELP FIGHT COSTS

Manufacturing centers.....	6.66%
Manufacturing and farming localities.....	6.25%
Resorts.....	5.95%
Shipping centers.....	5.50%

In the upper portion of the table below appear the savings actually secured by distributors who have replaced horses with trucks. In the lower section is given the cost of a typical day's work by a power wagon and a team:

Location and Business	Type of truck	Miles per day (av.)	Loads or stops (pkgs.)	Cost	Horses replaced	Saving %
East—heavy hardware.....	1,000-lb. el.	32	205	\$90.00 mo.	2	30
East—dry goods.....	3-ton gas.	46	...	9.74 day	12	45
East—dry goods.....	1,500-lb. gas.	55	310	.05 pkg.	4	24
Middle West—coal.....	5-ton gas.	27.92	25.13	11.09 day	...	...
Middle West—furniture.....	2-ton el.	38	...	...	8	33½
Middle West—dry goods.....	1,000-lb. gas.	53	195	.05 pkg.	...	...
Middle West—dry goods.....	2,000-lb. gas.	53	195	.05 pkg.	...	...
New England—dry goods.....	750 gas.	62	130	.08 pkg.	...	...
West—dept. store.....	1,000-lb. el.	40	135	...	...	40
West—groceries.....	3,000-lb. gas.	75	...	...	4	14

Wagon and Team		Three-ton Truck	
Original cost.....	\$910.00	.....	\$3,500.00
Interest at 5%.....	3.79	.....	14.38
Depreciation at 15%.....	11.37	(at 20%).....	58.33
Repairs.....	9.20	.....	14.10
Insurance.....	1.00	.....	12.90
License.....	.80	.....	2.00
Feed.....	25.00	(tires).....	31.10
Shoeing.....	3.00	(gas).....	31.66
Miscellaneous.....	9.00	(oil).....	5.80
Wages (driver and jumper)	93.00	(driver and jumper).	98.68
Rent.....	10.00	(garage).....	10.00
<hr/>		<hr/>	
Cost per day (27).....	\$6.15	.....	\$10.34

The retailers in 29 towns and cities in Missouri and Kansas use a cooperative delivery system. The savings made by this method have cut individual delivery costs anywhere from 25% to 40%. Following are figures on the equipment savings which result—in three towns 59 wagons and one truck have been discarded—a worthwhile saving it must be admitted.

APPENDIX

	Stores using	Wagons now used	Wagons formerly used
Independence, Mo.....	22	11	35
Columbia, Mo.....	16	10	32
Mexico, Mo.....	11	6	19

It is worth noting that in but a few instances was retailers' lighting expense found to be in excess of 1% of the net sales. Below this 1%, because the different stocks require varying amounts of light, a wide range of percentages appeared. Averaged for the various lines, these percentages give the following norms against which similar expenses may be advantageously checked in a general way:

Line	Percentage of net sales volume
Shoes.....	1.10%
Furniture.....	.92%
Variety goods.....	.81%
Drugs.....	.69%
Clothing.....	.62%
Jewelry.....	.61%
Dry goods.....	.54%
Vehicles and implements.....	.51%
Hardware.....	.43%
Groceries.....	.39%
Department stores.....	.22%

The following turnover figures were compiled by the National Dry Goods Association for the various lines mentioned. These averages must not be considered as absolute, but will serve as a basis of comparison for your own figures. Rate of stock turnover is fully discussed in Chapter XIII—on pages 147 and 148 you will find methods of figuring it accurately. It is worth noting that a rapid rate of turnover is one of the bitterest enemies of rising costs. Even a small stock makes the net profit pile up rapidly, when it is turned again and again, with a small profit at each turn.

TO HELP FIGHT COSTS

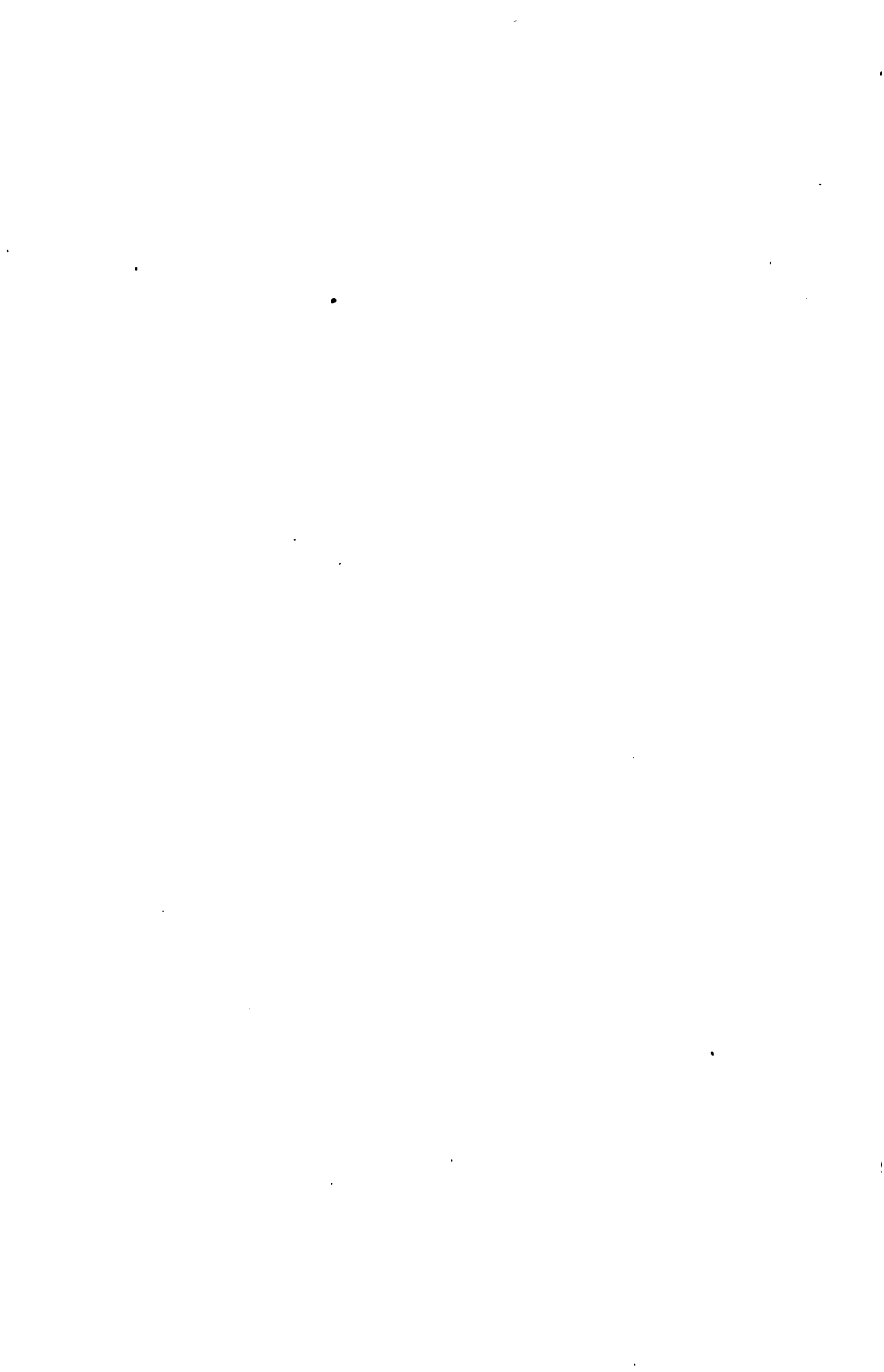
Line	Average number of turnovers obtained annually
Candy.....	13.27
Skirts and petticoats.....	7.22
Millinery.....	6.63
Coats, suits, and dresses.....	5.5
Stoves, refrigerators, and cookers.....	5.45
Shirtwaists.....	5.14
Patterns.....	5.05
Furs.....	4.55
Children's wear.....	4.45
Corsets.....	4.43
Toys and books.....	4.42
Umbrellas.....	4.38
Sewing machines.....	4.37
Neckwear and handkerchiefs.....	4.26
Wash goods.....	4.17
Notions.....	3.97
White goods.....	3.76
Hosiery.....	3.65
Furniture.....	3.65
Jewelry, toilet goods, bags, and belts.....	3.45
Linens.....	3.4
Trunks and bags.....	3.39
Hair goods.....	3.22
Muslin underwear.....	3.20
Table linen and towels.....	3.09
Ribbons.....	3.01
Gloves and veilings.....	2.96
Silks.....	2.91
Dress goods.....	2.9
Knit underwear.....	2.89
Wall paper and decorations.....	2.88
Men's furnishings.....	2.73
Boys' clothing.....	2.56
Men's clothing.....	2.53
Laces.....	2.50
Infants' wear.....	2.41
Embroideries and trimmings.....	2.26
Rugs, carpets, and linoleums.....	2.18
Shoes and rubbers.....	2.18
China, glass, and house furnishings.....	2.03

WHERE MY BUSINESS STANDS NOW

Items	1 Typical Costs	2 My Costs Year before Last	3 My Costs Last Year	4 My Average	
Rent					
Salaries					
Advertising					
Heat and Light					
Delivery					
Supplies					
Insurance and Taxes					
General Expenses					
Depreciation and Shrinkage					
Bad Debts					
Total Costs					

MARKS TO AIM FOR

Items	5 Difference between 1 and 4	6 What I Am Going to Try for	7 My Costs for Next Year	8 Try Methods Described on Pages	
Rent					
Salaries					
Advertising					
Heat and Light					
Delivery					
Supplies					
Insurance and Taxes					
General Expenses					
Depreciation and Shrinkage					
Bad Debts					
Total Costs					



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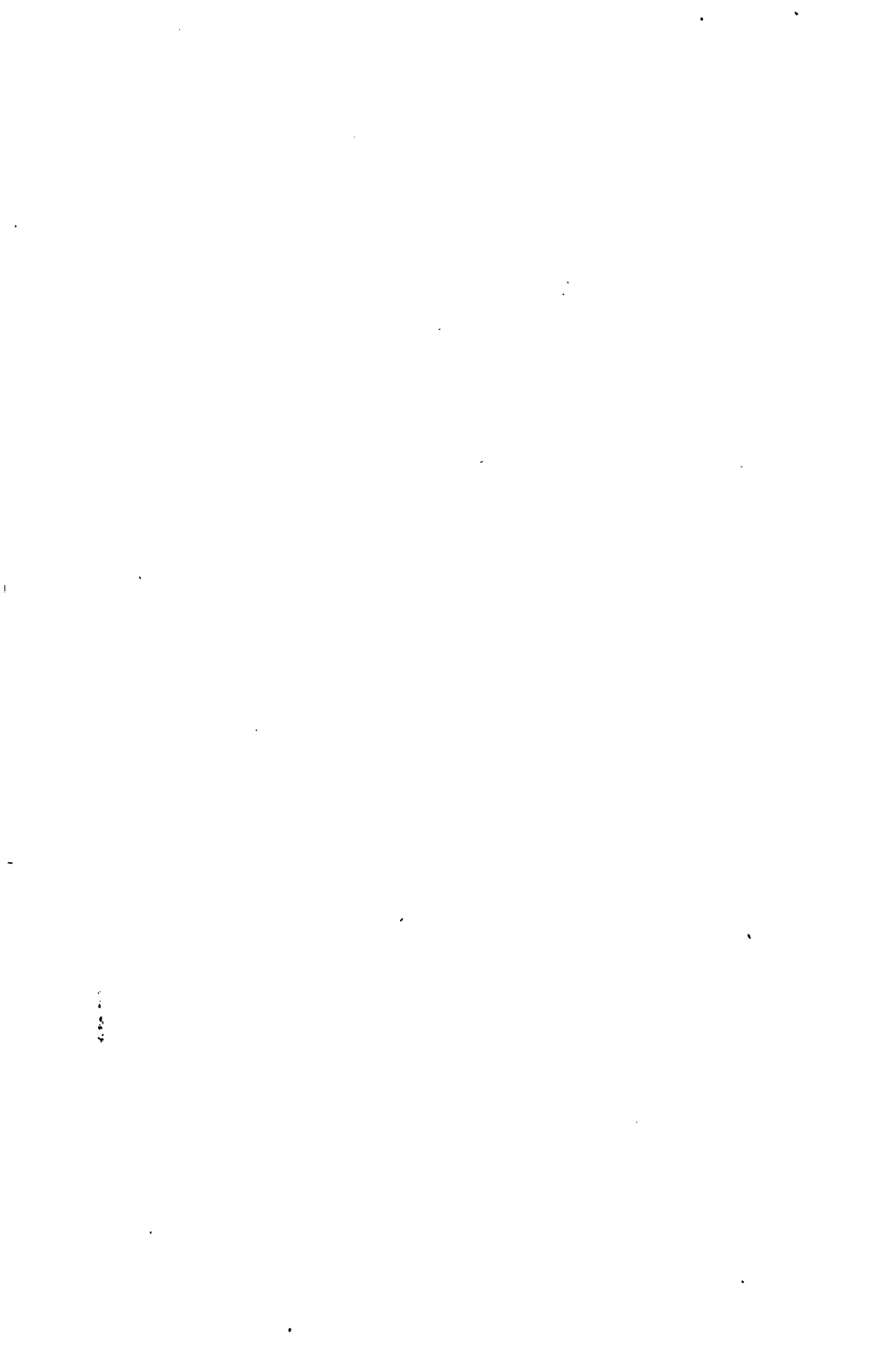
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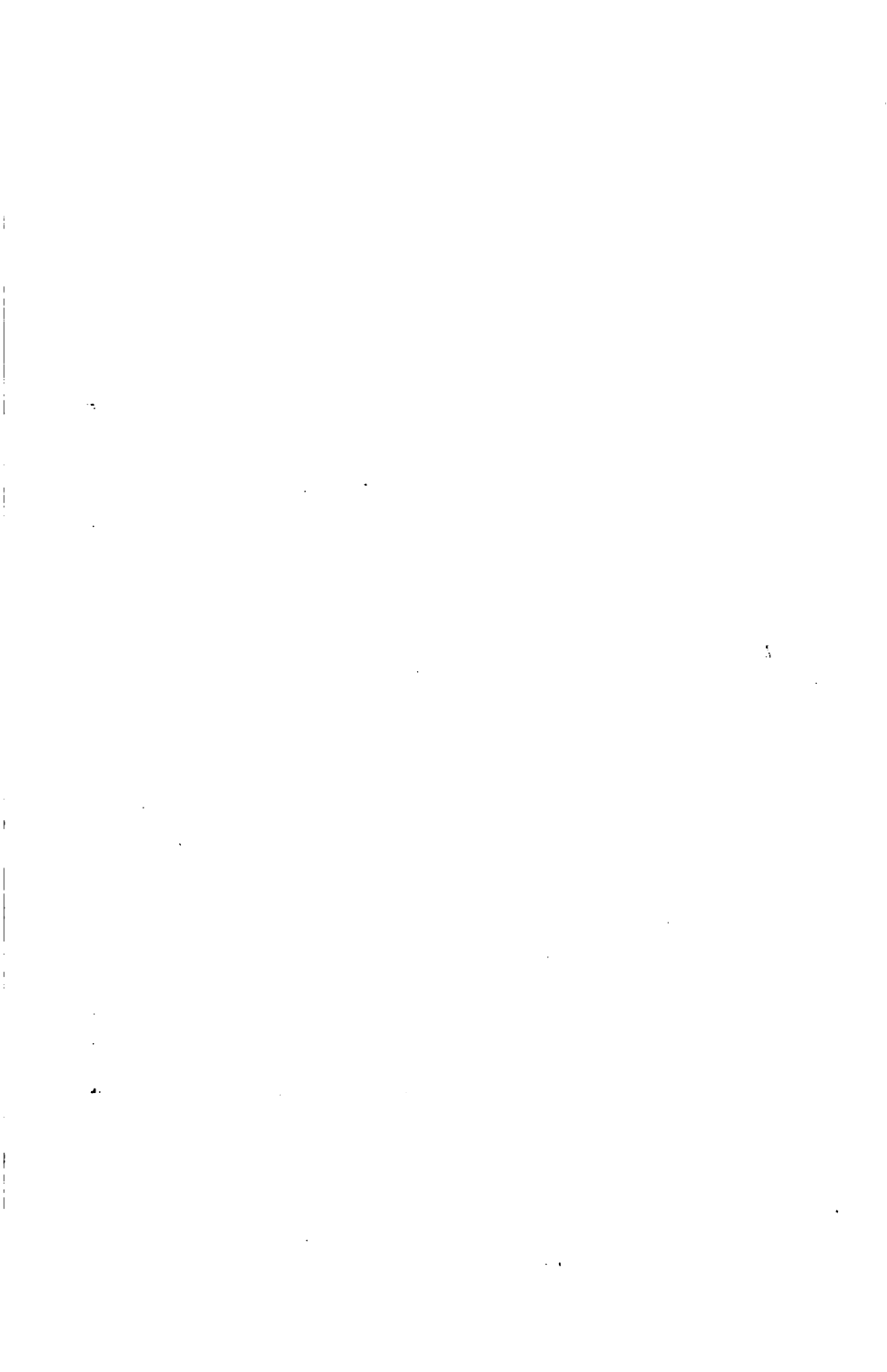
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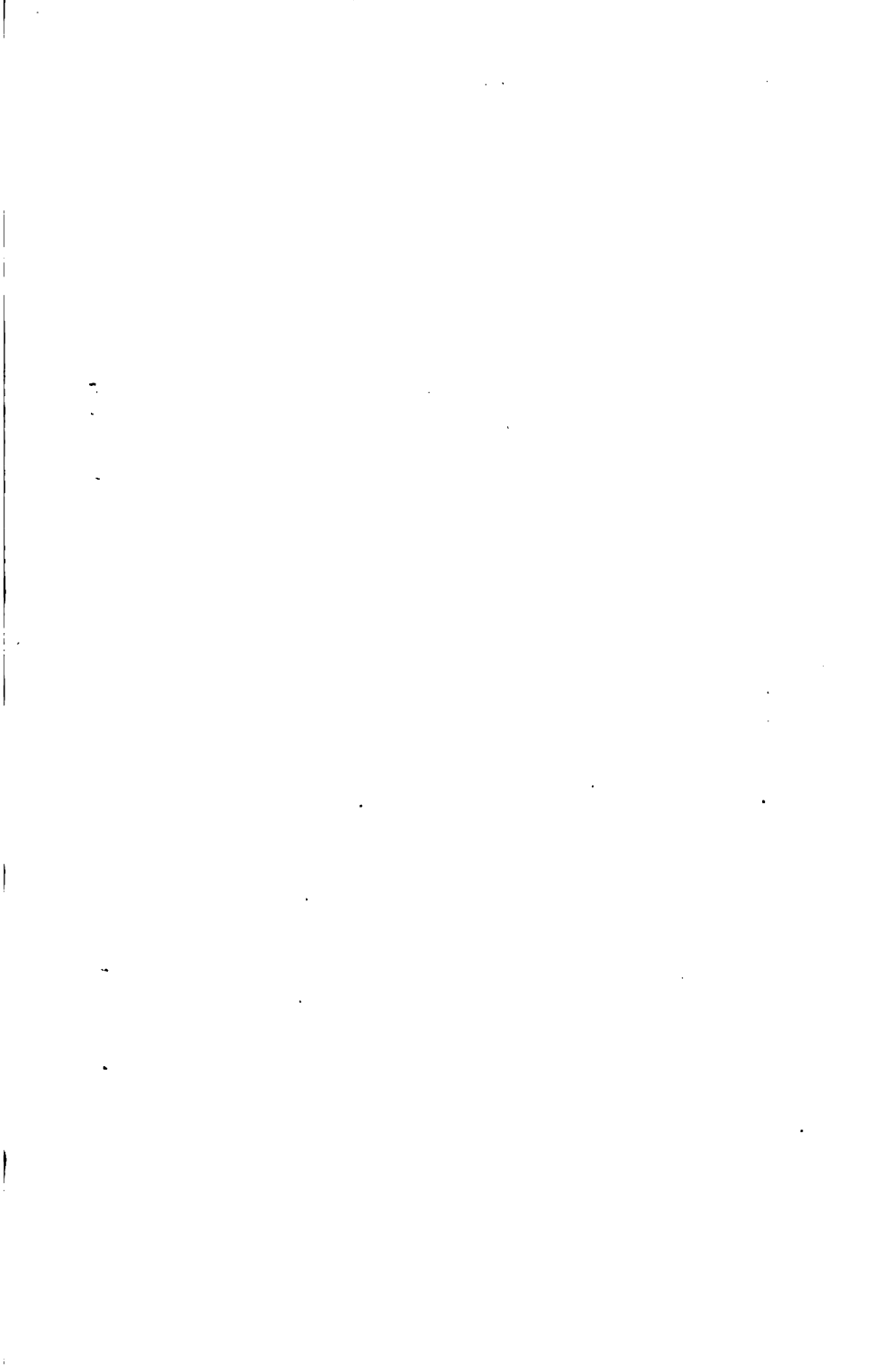
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